2014
Benchmarking THE ACCOUNTING & FINANCE FUNCTION

ferf
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BENCHMARKING
THE ACCOUNTING & FINANCE FUNCTION
2014

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Executive **Summary**

Managing the finance function requires foresight and planning. Executives need to think several moves ahead and understand the strengths — and vulnerabilities — of their organizations in relation to what stakeholders expect.

They must constantly keep their eyes on the economic landscape and take action when key opportunities and challenges arise.

To compete at the highest levels, finance executives also should be able to accurately measure the effectiveness of their firm's accounting and finance departments. Benchmarks and standards are critical: they enable executives to evaluate important procedures and determine, for example, whether the close is timely, processes are friction-free and staff levels are sufficient.

Financial Executives Research Foundation (FERF) and Robert Half's fifth annual report, *Benchmarking the Accounting & Finance Function: 2014*, provides financial executives a valuable guide for developing benchmarks and standards for finance and accounting departments.

This year's survey includes responses from nearly 1,600 financial executives representing companies across the United States and Canada. The firms range in size from multibillion-dollar global public companies to private businesses with revenues of less than $25 million. They span a full range of industries and sectors.

Benchmarking the Accounting & Finance Function: 2014 is divided into sections that represent key operational categories. Respondents considered part of the "accounting and finance function" include professionals in general accounting, accounts payable (A/P), accounts receivable (A/R), budget and analysis, cost accounting, credit and collections, finance, financial reporting, international accounting, payroll, internal controls, tax, and treasury.

Key Findings and Analysis

Among the key findings of the report:

- Accounting and finance managers in the United States work an average of 47 hours per week, while nonmanagement staff work 42 hours. In Canada, managers typically work 46 hours weekly, while nonmanagement staff work 40 hours.
- Based on the survey responses, an average of 8 percent of finance and accounting staff members in the United States are temporary or project workers, compared to 5 percent in Canada.
- More than half (59 percent) of U.S. companies and two-thirds (66 percent) of Canadian companies surveyed still reconcile accounts manually, placing a strain on staff and resources.
- Payroll is the single most outsourced function among all companies, followed by tax. This reflects the effort by finance departments to reallocate resources toward activities that deliver higher value to the organization and away from manual, time-consuming activities.
- Almost all respondents (98 percent of U.S. executives and 96 percent of Canadian executives surveyed), believe their compliance burden will either increase or, at a minimum, not diminish over time. The majority (74 percent in the United States and 67 percent in Canada) anticipate the burden to increase.

How to Use this Report

Benchmarking the Accounting & Finance Function: 2014 is divided into sections representing key functional categories: workforce management, accounting operations, financial systems, sourcing, internal controls and compliance. Within each category, you will find:

- **Key Findings** — An overview of trends identified in the survey and in follow-up interviews with executives
- **Discussion and Analysis** — Breakdowns of the survey results, accompanied by charts and tables
- **Points of View** — Real examples taken from interviews with executives
- **Takeaways** — Executive insights
- **Questions to Consider** — Actionable steps for finance leaders

Survey results are also available online and can be searched based on a number of criteria through Financial Executives International's (FEI) online benchmarking tool, FinanceFunction*Check*. This tool is available on the FERF website, under products and services, to FEI members and nonmembers who have purchased this report.

Acknowledgments

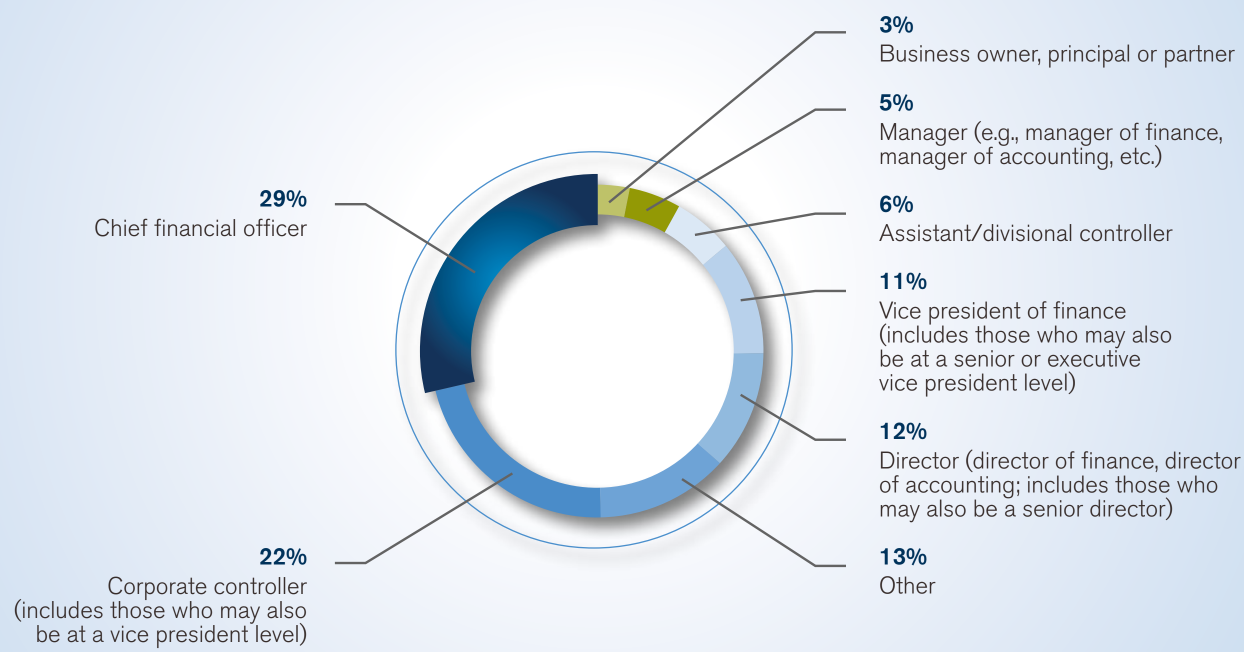
FERF and Robert Half would like to thank the nearly 1,600 finance leaders who participated in the survey and the many executives who spoke with the authors in follow-up interviews. Their real-life experiences and comments provided us with a deeper understanding and appreciation of the role of the accounting and finance departments at companies of all sizes and of the opportunities and challenges that lie ahead. Although many of these executives are named within the report, others have requested anonymity.

Research Methodology and **Respondent Demographics**

From Sept. 7, 2013, to Dec. 2, 2013, FERF and Robert Half conducted the fifth annual benchmarking survey of nearly 1,600 executives from accounting and finance departments at public and private companies in the United States and Canada. The data contained within this report was compiled from U.S. and Canadian responses to a 38-question online survey. A little more than a quarter (29 percent) of the respondents identified themselves as chief financial officers (CFOs). Seventy-nine percent of all respondents are located in the United States, while 21 percent are located in Canada. More than half (62 percent) of those responding represent private businesses, while one-fifth (20 percent) work for public companies. More than three-quarters of respondents (82 percent) said their company's annual revenue is less than $500 million.

Manufacturing is the most heavily represented industry; 11 percent identified their company as a process manufacturer, and 9 percent said they work for a discrete manufacturer. In addition, survey participants were asked for the number of business divisions/units in their company, whether their company has centralized or decentralized financial functions and where their company's accounting and finance operations are based. The charts and graphs that follow represent the demographic profile of respondents.

Current Title

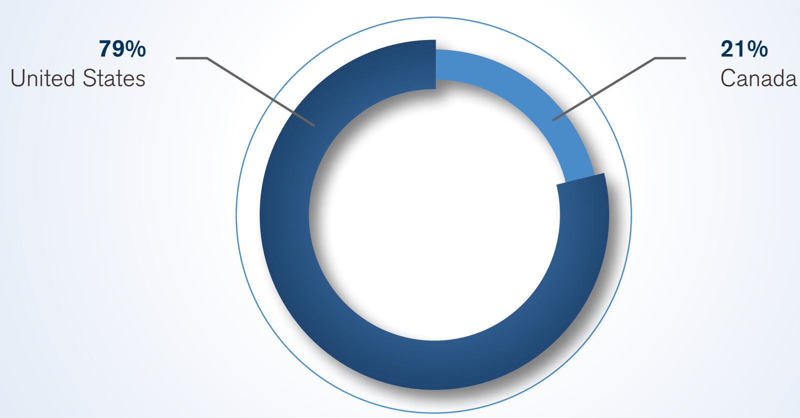


Throughout this report, you will find tables referring to the top and bottom quartile, as well as the median. These numbers represent the three points that divide the total response rate for a given question into four groups. Each group represents a fourth of the sample group. Therefore, a response or value that is equal to or above the top quartile figure would be considered in the top or upper quartile.*

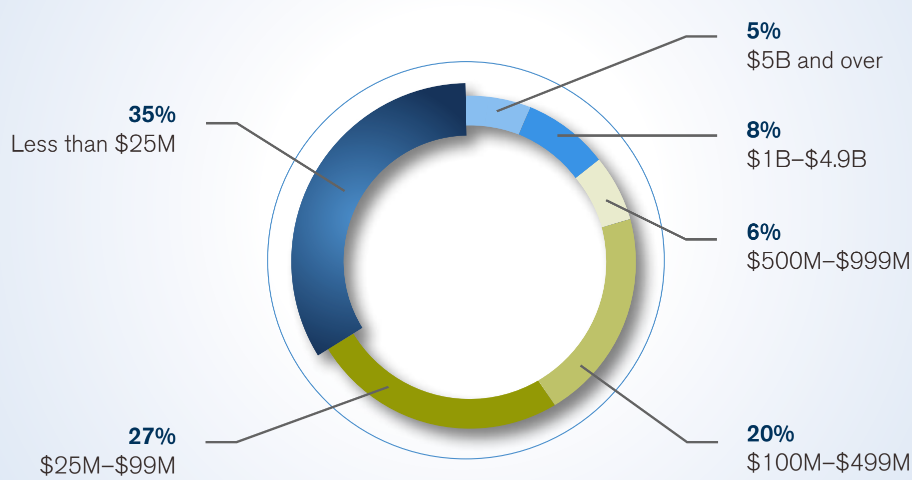
Additionally, in our narrative, we may compare this year's data to results from last year's survey to highlight key trends or developing issues.

**Due to response rate variation (not every respondent answered every question) and rounding, totals may not equal 100 percent.*

Current Country Location



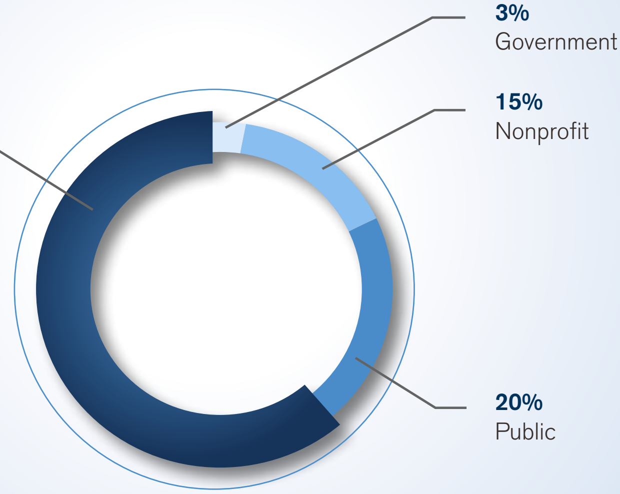
Annual Company Revenue



Industry

Manufacturing — process
11%
Manufacturing — discrete
9%
Financial services — except insurance
8%
Healthcare — providers, services
7%
Professional, scientific or technical services (not including IT)
7%
Wholesale distribution
5%
Agriculture, mining and construction
4%
Retail — all except hotels, restaurants
4%
Energy — oil, gas, solar, other
3%
Insurance
3%
Software — publishers or developers
3%
Transportation — couriers, transportation services
2%
Media
2%
Education — primary or secondary
2%
Healthcare — life sciences
2%
Telecommunications
1%
IT service providers
1%
Retail — hotels, restaurants
1%
Education — higher education
1%
Utilities — electric, gas, water, sewer
1%
Government — regional, state or local
1%
Healthcare — pharmaceuticals
1%
Government — federal
1%
Other
21%

Company Type



Number of Divisions/ Business Units	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
1	29%	10%	7%	7%	4%	4%	16%	9%
2-10	61%	67%	55%	47%	51%	40%	58%	60%
11-20	7%	15%	23%	23%	15%	13%	14%	15%
21-30	2%	4%	6%	6%	10%	12%	4%	6%
31-49	1%	3%	3%	7%	6%	9%	3%	4%
50 or more	0%	1%	7%	9%	15%	23%	4%	6%

Centralized/ Decentralized	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Centralized	89%	81%	67%	56%	39%	31%	74%	71%
Decentralized	2%	4%	7%	8%	5%	6%	4%	5%
Both (some functions centralized; some functions decentralized)	9%	15%	26%	36%	56%	63%	22%	24%

Domestic/ International	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Domestic only	85%	75%	59%	47%	35%	22%	69%	64%
Domestic and international	15%	25%	41%	53%	65%	78%	31%	36%

Workforce **Management**

Key Findings

- The median cost of internal financial staff as a percentage of revenue increased this year over last year, however it fell at companies with revenues of less than $100 million.
- Firms are utilizing temporary and project professionals to access specialized finance skills not available internally, augment staff and evaluate potential hires.
- Accounting and finance management and nonmanagement professionals put in 47 and 42 hours per week, respectively, in the United States and 46 and 40 hours per week, respectively, in Canada.

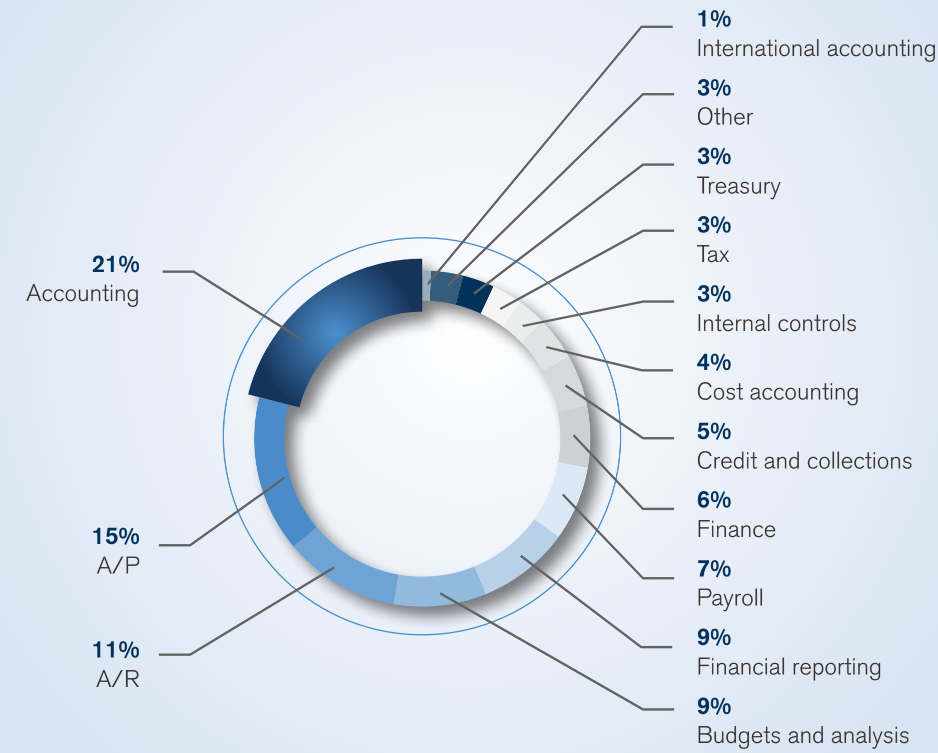
Discussion and Analysis

To get a better picture of how companies allocate personnel resources, we asked respondents what percentage of their staff is assigned to various areas (see Fig. 1). General accounting, accounts payable (A/P) and accounts receivable (A/R) accounted for the highest percentage of resources, at 21 percent, 15 percent and 11 percent, respectively (see Fig. 1). The percentage of financial staff resources devoted to A/P and A/R is the same as last year (26 percent).

Watch CFO Interviews

Workforce Management:
Shifting Focus of the Accounting and Finance Function

Figure 1: Allocation of Accounting and Finance Staff



This year, the median number of internal employees in U.S. firms is six. In Canadian companies, the number is 10 (see Fig. 2).

Figure 2: Number of Internal Financial Staff by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Bottom quartile	2	5	10	18	33	170	3	5
Median	3	7	17	43	100	500	6	10
Top quartile	5	10	25	60	175	800	14	25

The 2014 median cost of internal financial department staff in the United States is 2 percent of revenue (see Fig. 3), up from 1.4 percent cited in last year's survey. In Canada, the median cost is 1.5 percent of revenue, up from 1.0 percent in 2013.

However, the total cost fell at companies with revenues of less than $25 million and revenues between $25 million and $99 million. The median cost of financial staff at the smallest companies fell from 3.9 percent in 2013 to 3 percent this year, and the median cost at companies with revenues between $25 million and $99 million fell from 1.8 percent in 2013 to 1.5 percent this year (see Fig. 3).

Figure 3: Cost of Internal Financial Staff as a Percentage of Revenue, by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Bottom quartile	2.00%	1.00%	0.60%	0.40%	0.50%	1.00%	1.00%	1.00%
Median	3.00%	1.50%	1.00%	1.00%	0.90%	1.00%	2.00%	1.50%
Top quartile	5.00%	2.40%	2.00%	1.60%	2.00%	2.50%	3.00%	2.50%

In the United States, 29 percent of companies reported that they had used temporary or project professionals (see Fig. 4). This number goes up as company size increases, rising to 76 percent at firms with revenues of $5 billion or more. Two-thirds (66 percent) of executives in Canada said their company did not use interim professionals, and 78 percent of companies with revenues of less than $25 million did not use these workers, the highest percentage of all company sizes.

Figure 4: Use Temporary or Project Professionals

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Yes	22%	25%	39%	37%	45%	76%	29%	34%
No	78%	75%	61%	63%	55%	24%	71%	66%

Sixty-four percent of U.S. firms and 68 percent of Canadian companies indicated that their use of temporary or project-based staff fluctuates based on the amount of work that needs to get done (see Fig. 5).

The number of finance and accounting workers at U.S. companies who are temporary or project professionals remains steady (see Fig. 6); the median is 8 percent of the workforce this year. The percentage of temporary, contract or project professionals is highest at the smallest companies. In Canadian firms, the number of finance professionals who are temporary or contract workers is unchanged from last year; it remains at 5 percent of the workforce.

Figure 5: Change in Usage of Temporary or Project Professionals Based on Workload by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Changes	48%	71%	74%	79%	61%	82%	64%	68%
Does not change	52%	29%	26%	21%	39%	18%	36%	32%

Figure 6: Percentage of Accounting and Finance Staff Who Are Temporary or Project Professionals by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Bottom quartile	5%	3%	3%	2%	2%	2%	5%	2%
Median	10%	10%	5%	6%	5%	5%	8%	5%
Top quartile	20%	15%	10%	10%	10%	14%	15%	10%

U.S. managers work an average of 47 hours per week (see Fig. 7), down one hour from last year. Nonmanagement U.S. staff work 42 hours per week, unchanged from last year's figure. In Canada, managers work 46 hours, up from 44 hours in 2013, and staff work 40 hours, an increase of one hour from last year.

The work hours of 89 percent of full-time U.S. accounting and finance department employees increase during peak times (see Fig. 8). The data also show that firms have increased their use of temporary or project workers during peak periods over the past year. Eleven percent of U.S. executives said their employees' hours do not change when workloads are high because their firms bring in temporary workers during those periods, versus only 7 percent in 2013.

Figure 7: Standard Weekly Hours Worked

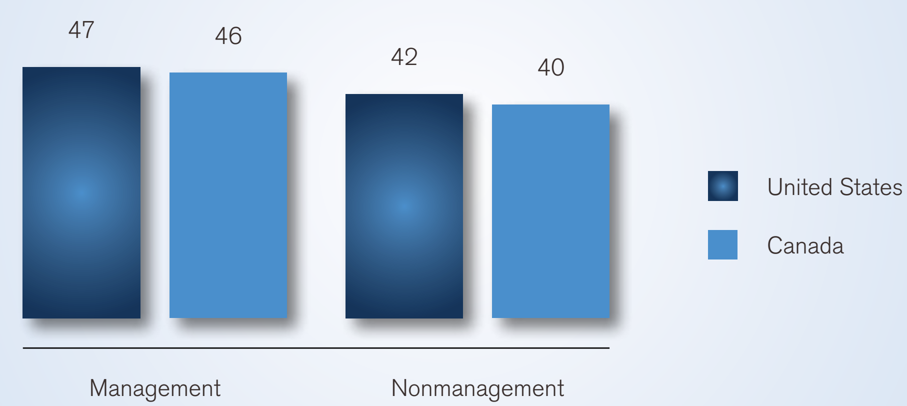


Figure 8: Standard Hours Worked by Full-Time Employees Changes During Peak Times

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Yes, it increases	82%	93%	95%	97%	98%	91%	89%	93%
No, stays the same due to use of temporary professionals	18%	7%	5%	3%	2%	9%	11%	7%

Points of View: Staffing Challenges

Temporary professionals comprise a median of 8 percent of the U.S. workforce and 5 percent of the Canadian workforce, consistent with last year. The smallest companies place a greater reliance on temporary professionals, at 10 percent.

Many executives we spoke with said that it was increasingly difficult to forecast demand for their company's products and services. As a result, they tend to delay hiring decisions, as they are careful about making investments and want to hang on to cash. "It's a very mixed-demand picture," said John Maxwell, CFO of a healthcare services firm based in the United States. "So trying to predict when to hire people and when to buy equipment or expand facilities is extremely difficult in this kind of environment."

Caution is the watchword even among companies whose businesses have bounced back to prerecession levels. "We have recovered fully, and we have customers we are doing more business with than we were doing prerecession," said Paul Smejkal, director of finance at Minco Products, a Minneapolis-based manufacturer. "But they're not willing to make longer plans. They're using shorter windows. That impacts our ability to plan our labor levels."

The improving economy poses another challenge: talent retention. "I've lost my head of supply-chain management, my chief accounting officer and a number of other staff roles," Maxwell said, explaining that retention is his biggest challenge, because employees looking for greater compensation are seeking new opportunities. "We are looking at different temporary solutions where needed."

"**Smaller companies need more versatility in their employees** … whereas a larger firm might hire one person to do cost accounting alone."

— Compliance director,
large multinational technology company

Until the growth of the global economy becomes more predictable, it is likely that many companies will turn first to the use of temporary professionals before hiring full-time employees. A small, privately held U.S. financial services firm in the Northeast often turns to temporary staffing solutions to address its needs, according to its controller. "On the accounting side, we bring in temporary people for things like A/P and other basic accounting needs," he said. Other executives cited the need for experienced project professionals when they didn't have those specialized skills in-house.

In addition, for companies engaged in a long, drawn-out search for qualified employees, interim staffing solutions can make sense. "When I hired a cost accountant, the search took nine months," said the assistant controller of a small U.S. manufacturer based in the Midwest. During that period, she had to turn to temporary staffing agencies to relieve some of the burden on her small staff.

Executives at smaller businesses also commented on their staffing challenges, which are different from those faced by global, multinational corporations. "Smaller companies need more versatility in their employees, while larger companies can be more specific," said the compliance director for a large multinational technology company. "In other words, the smaller company may need an employee to do A/P, cost accounting and budgeting, whereas a larger firm might hire one person to do cost accounting alone."

Still, big companies also use project professionals to fill gaps when they're trying to hire for a full-time position, especially because they often require staff with specialized technical accounting skills, and searches for these professionals can take a long time. "We recently had to fill a position on the technical accounting team [with someone] who understood derivatives," said the vice president and assistant controller of a large multinational consumer products company. "That position was open for about six to seven months. We also fill in [with temporary workers] when we have someone on [maternity] leave or where we find ourselves in a bind."

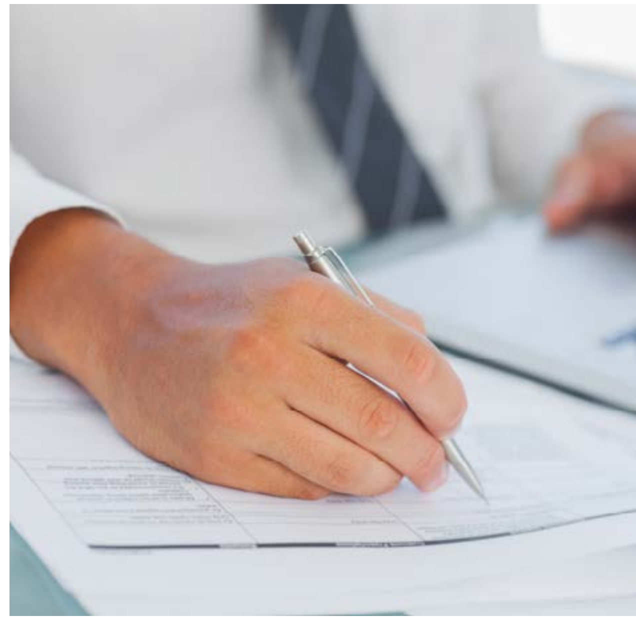
Takeaways

- Economic volatility has reinforced the need for a flexible staffing approach for many companies.
- Interim staff provide staffing flexibility for businesses with variable workload and project needs.
- Employee recruitment and retention is likely to become more challenging once the economic growth rate improves.
- Recruitment has become more laborious and complex, partly due to the changing needs of customers and the extended length of time it can take to find qualified candidates. This creates staffing gaps and often places a strain on existing staff.

Questions to consider

- Is peak or seasonal business activity causing project backlogs?
- Are mission-critical projects being deferred due to internal resource limitations or because staff lack the requisite skills?
- Are staff members exhibiting signs of low morale, stress or burnout?
- Have you allocated staff to areas that will most benefit the business?

Accounting **Operations**



Key Findings

- More than half (59 percent) of U.S. companies surveyed rely on manual reconciliation of accounts.
- The ability to conduct a fast and clean close is vital, as it allows the finance department to use resources for other high-value activities, such as analytics.
- Twenty-four percent of executives at U.S. companies indicated they use third-party software for account reconciliation, more than double the number from last year. Eighteen percent of executives at Canadian companies use third-party software, a 23 percent decline from the 2013 survey.

Watch CFO Interviews
Accounting Operations:
Process Improvement

Discussion and Analysis

The growing number of general ledger accounts is indicative of the increasing complexity of doing business. More than a third (38 percent) of U.S. executives surveyed said they have more than 500 general ledger accounts (see Fig. 9), and 9 percent said they have more than 3,000. Among the Canadian companies surveyed, 13 percent have more than 3,000 active general ledger accounts, and 4 percent have more than 10,000 (see Fig. 9).

Figure 9: Number of Active General Ledger Accounts by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
100-500	82%	59%	47%	39%	35%	8%	62%	58%
501-1,000	10%	24%	23%	28%	29%	21%	19%	18%
1,001-3,000	5%	10%	14%	21%	19%	17%	10%	12%
3,001-5,000	1%	2%	6%	5%	4%	21%	3%	5%
5,001-10,000	2%	3%	6%	3%	6%	17%	4%	4%
More than 10,000	1%	2%	4%	3%	6%	17%	2%	4%

Among executives surveyed this year, 15 percent in the United States and 19 percent in Canada indicated they reconciled anywhere from 501 to more than 10,000 accounts at least quarterly (see Fig. 10).

Figure 10: General Ledger Accounts Reconciled at Least Quarterly by Company Size and Location

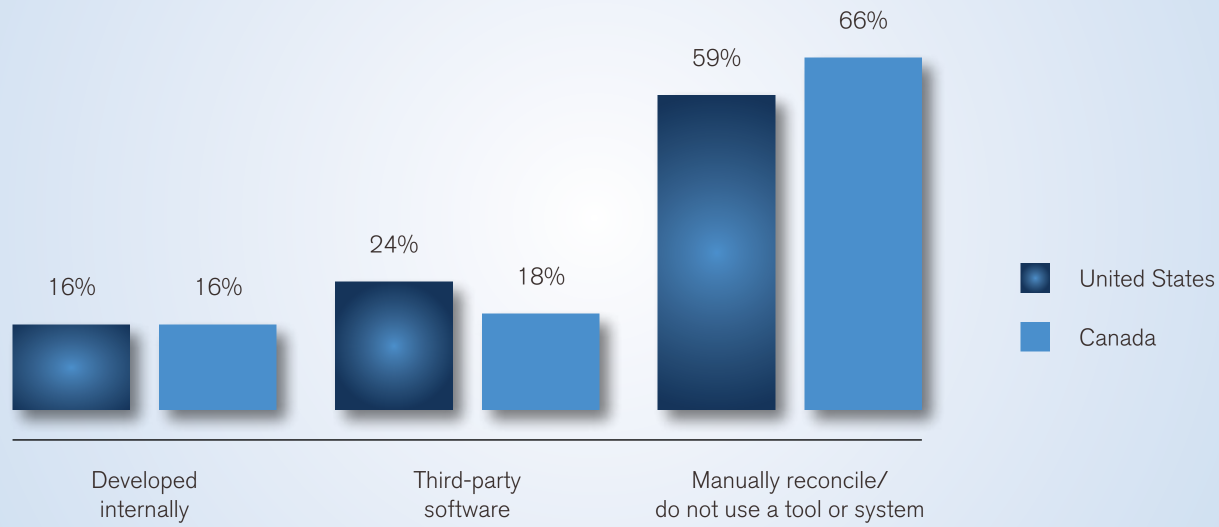
	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
100-500	95%	89%	81%	68%	55%	17%	85%	83%
501-1,000	3%	7%	11%	14%	22%	35%	8%	10%
1,001-3,000	1%	2%	5%	14%	16%	22%	5%	4%
3,001-5,000	0%	1%	2%	0%	4%	13%	1%	3%
5,001-10,000	0%	1%	1%	3%	2%	0%	1%	1%
More than 10,000	0%	0%	0%	2%	0%	13%	0%	1%

This high volume of reconciliations has an impact on finance departments because the process remains labor-intensive and manual. Of the U.S. executives we surveyed this year, 59 percent said their reconciliation process is manual, versus 65 percent in 2013 (see Fig. 11). Sixty-six percent of Canadian executives said they reconcile accounts manually in 2014, versus 50 percent in 2013. The amount of time spent on the reconciliation effort places a burden on finance departments and takes away from their ability to engage in more value-adding efforts and analysis.

Figure 11: Tool/System Used for Account Reconciliations by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Developed internally	18%	14%	15%	14%	16%	32%	16%	16%
Third-party software	27%	18%	17%	22%	24%	56%	24%	18%
Manually reconcile/do not use a tool or system	54%	68%	67%	63%	61%	12%	59%	66%

Figure 11A: Tool/System Used for Account Reconciliation by Country



Points of View: Streamlining the Close

Automating the close process is critical to developing efficiencies, according to many executives surveyed. Companies that can achieve a quick, smooth close may have a competitive advantage because the accounting and finance department can deploy resources toward more high-value activities, such as analytics.

"The time it takes us to produce financials has decreased," said Paul Smejkal, director of finance at Minco Products. The company's finance department includes eight employees in all, split between accounting and financial budgeting, planning and analysis. When Smejkal started at Minco, he concentrated on improving the finance department's processes, including integrating the billing systems. "In the past two or three years, we have invested heavily in a new enterprise resource planning (ERP) system, as well as web- and cloud-based technology, and it has pushed us forward with a velocity we wouldn't have had otherwise," he said.

> **"In the past two or three years, we have invested heavily in a new enterprise resource planning system,** as well as web- and cloud-based technology, and it has pushed us forward with a velocity we wouldn't have had otherwise."
>
> — Paul Smejkal, director of finance, Minco Products

Many finance executives we interviewed also noted a push to cut down on the time needed to produce annual reports and financial statements required by regulatory agencies. “It takes us about three weeks to close our annual draft financial statements,” said the senior vice president and CFO of a midsize private aerospace company based in Canada. “The time needed to produce the annual statement has gotten slightly shorter, but there is a push to get them done even faster.”

The pressure to cut down on the time needed to produce financial reports and statements carries a risk, notes the compliance director of a large multinational technology company interviewed for the report. Her department takes about four days to produce annual statements, minus the accompanying notes. Although she is pleased with the speed and efficiency of the process, she cautions that “with the increased speed, there is an increased risk of errors.”

Takeaways

- A quick, clean close is crucial to the effectiveness of the accounting and finance department because it allows time for financial staff to spend time on other high-value activities.
- Improving underlying processes can reduce the number of manual reconciliations and streamline the close; such improvements include eliminating nonessential activities and simplifying, focusing and automating upstream processes.
- Although many executives interviewed have reduced the time needed to produce financial statements, there is constant pressure to produce them even faster.

Questions to consider

- Are regulatory requirements having an impact on the time needed to produce financial statements?
- Are you ready for the FASB’s forthcoming change in revenue recognition?
- Are you exploring web-based and cloud-based solutions to reduce the time needed to produce financial statements?
- Are there aspects of the reconciliation process that can be automated?

Financial **Systems**

Key Findings

- Seventy-eight percent of U.S. companies surveyed and 90 percent of Canadian firms said they use an ERP system as their primary financial system to create efficiencies and contain costs.
- Microsoft Excel continues to be widely used as a budgeting and planning tool.
- Smaller companies are more likely to adopt Software as a Service (SaaS) and other cloud-based options.

Discussion and Analysis

More than three-quarters (78 percent) of U.S. companies included in the survey use an ERP system as their primary financial system (see Fig. 12). This is slightly lower than the number reported last year. The use of ERP systems among Canadian firms surveyed rose 4 percentage points over the previous year; nine out of ten (90 percent) Canadian executives surveyed now rely on an ERP system (see Fig. 12). Smaller companies are the biggest users of SaaS: 11 percent of companies with revenues less than $25 million and 6 percent of companies with revenues between $25 million and $99 million reported using a SaaS financial system (see Fig. 12), a trend consistent with last year's results.

Watch CFO Interviews

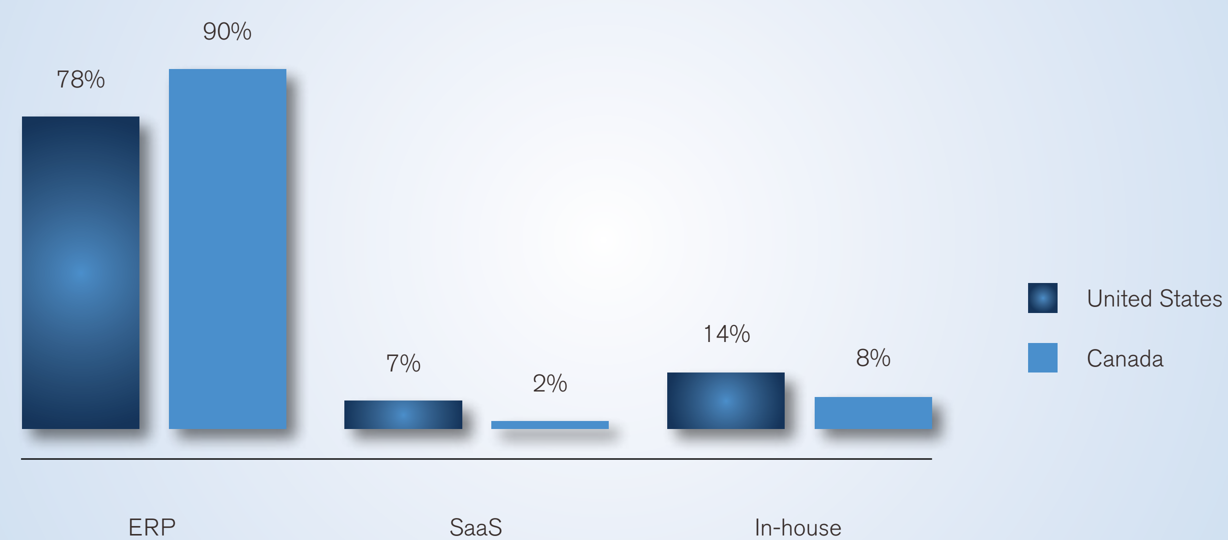
Financial Systems:
Business Analytics Drives Performance

Figure 12: Primary Financial System Used by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
ERP	66%	82%	90%	93%	92%	96%	78%	90%
SaaS	11%	6%	4%	2%	0%	0%	7%	2%
In-house	23%	12%	7%	6%	8%	4%	14%	8%

Overall, 7 percent of U.S. executives surveyed reported using SaaS, or a cloud-based solution, while only 2 percent of Canadian executives said they use SaaS as their primary financial system (see Fig. 12A).

Figure 12A: Primary Financial System Used by Country



The ERP systems used most among U.S. companies surveyed are Microsoft Dynamics Great Plains (18 percent) and Oracle/PeopleSoft (15 percent), followed by SAP (12 percent) (see Fig. 13). At the largest companies, SAP and Oracle dominate. However, the market is not uniform; more than half (51 percent) of the U.S. companies surveyed reported using other types of ERP systems (see Fig. 13). Among Canadian executives surveyed, one in five (21 percent) use Great Plains, 14 percent use JD Edwards and 12 percent use Oracle/PeopleSoft. Four in 10 (40 percent) rely on other ERP systems (see Fig. 13).

Figure 13: Leading Brand of ERP System Used by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
SAP	8%	6%	12%	24%	20%	30%	12%	11%
Oracle/PeopleSoft	2%	5%	18%	28%	51%	22%	15%	12%
Microsoft Dynamics GP	22%	26%	19%	2%	9%	9%	18%	21%
JD Edwards	2%	3%	11%	18%	2%	9%	3%	14%
Legacy	1%	1%	1%	2%	0%	9%	1%	2%
Other	66%	58%	39%	26%	18%	22%	51%	40%

Among U.S. companies using SaaS (e.g., cloud) solutions, Intacct is the most common, cited by 18 percent of survey respondents. Following closely is Microsoft, at 16 percent (see Fig. 14). In Canada, 40 percent of executives rely on NetSuite, followed by ADP, Microsoft and "Other," which each accounted for 20 percent of the responses.

Figure 14: Leading Brand of SaaS System Used by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
ADP	14%	20%	0%	50%	0%	0%	15%	20%
Intacct	10%	25%	40%	0%	0%	0%	18%	0%
Microsoft	24%	10%	0%	0%	33%	0%	16%	20%
NetSuite	14%	20%	20%	50%	0%	0%	15%	40%
WebEx	0%	0%	0%	0%	0%	0%	0%	0%
Other	38%	25%	40%	0%	67%	100%	36%	20%

When it comes to budgeting and long-range planning tools, Microsoft Excel continues to dominate. More than two-thirds (71 percent) of U.S. companies surveyed and 69 percent of Canadian companies surveyed rely on Excel for budgeting and planning (see Fig. 15). Seventy-three percent of U.S. executives and 70 percent of Canadian executives use it for long-term planning (see Fig. 16).

Figure 15: Leading Types of Budgeting and Planning Tools Used by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
ERP	3%	3%	6%	5%	8%	4%	3%	5%
Legacy	0%	0%	2%	0%	0%	0%	1%	1%
IBM/Cognos	0%	1%	5%	6%	6%	4%	2%	3%
Oracle/Hyperion	0%	0%	6%	11%	19%	44%	4%	6%
SAP/BPC	0%	1%	3%	8%	4%	12%	2%	2%
Excel	82%	77%	61%	44%	50%	16%	71%	69%
Other	9%	15%	14%	24%	8%	20%	13%	12%
None	6%	3%	2%	2%	6%	0%	4%	4%

Figure 16: Leading Types of Long-Term Planning Tools Used by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
ERP	2%	1%	4%	3%	4%	0%	2%	4%
Legacy	0%	0%	2%	0%	0%	4%	0%	1%
IBM/Cognos	0%	1%	4%	5%	2%	4%	1%	2%
Oracle/Hyperion	0%	0%	3%	11%	8%	28%	3%	1%
SAP/BPC	0%	1%	2%	6%	0%	12%	1%	2%
Excel	80%	76%	64%	57%	73%	32%	73%	70%
Other	2%	8%	6%	5%	6%	8%	5%	5%
None	16%	14%	16%	13%	6%	12%	14%	16%

Points of View: Integration of Financial Systems

Microsoft Excel remains the tool of choice for many organizations, doing yeoman's work throughout accounting and finance departments. "Excel is still the most dominant program for doing any kind of quick analysis or storing of data sets," said Lynn Wise, the director of operational accounting at Ritchie Brothers Auctioneers, based in Canada.

"We use Excel extensively," said the assistant controller for a manufacturer in the United States. "I would say that between 60 percent and 70 percent of our functions are done on Excel."

Executives also noted the need to access and interpret data stored in their company's financial systems to support business decisions. Other executives we interviewed said they also are exploring other tools and resources to validate and maintain proper controls over financial information across the enterprise.

Cloud-based solutions are an option for accounting and finance departments, but executives we surveyed continue to be cautious about adopting them. Even those executives whose companies have made the transition to cloud-based services expressed reservations. "We just changed our ERP system from a production server to something that is somewhat cloud-based," said Commerx Corp.'s Marietjie Bower, the controller at the technology company, based in Calgary, Alberta. "When it's internal, I know how we protect it. When it's out there [in the cloud], I have to rely too heavily on external factors to make sure my information is protected."

"**Excel is still the most dominant program** for doing any kind of quick analysis or storing of data sets."

— Lynn Wise, director of operational accounting, Ritchie Brothers Auctioneers

Takeaways

- Excel remains the budgeting and planning tool of choice at all but the largest companies surveyed.
- Organizations often devote extra time to validating financial information because of the widespread use of manual tools, including Excel spreadsheets, in the reporting process.
- Many companies remain cautious about moving sensitive financial information to the cloud, even though cloud-based solutions may offer cost savings and faster deployment.

Questions to Consider

- Have you trained staff to generate reports from ERP systems?
- Are you leveraging the data from ERP systems to make informed decisions?
- What steps have you taken to protect the integrity of your cloud-based data?

Sourcing

Key Findings

- Payroll is the single most outsourced function among the companies surveyed, followed by tax.
- Smaller companies may be more likely than larger ones to outsource because of resource constraints.
- In general, executives continue to approach outsourcing with a great degree of caution. Many said they have little experience with outsourcing beyond payroll.

Discussion and Analysis

Payroll and tax remain the two leading outsourced functions in the United States, at 47 percent and 42 percent, respectively (see Fig. 17). The share of Canadian companies outsourcing payroll is 47 percent, followed by tax, at 37 percent (see Fig. 17). Nearly three-quarters (73 percent) of U.S. companies with revenues of $5 billion and over outsource payroll (see Fig. 17). The largest companies are less likely to outsource tax, suggesting that they have internal resources available to perform this function.

Among the companies with revenue between $1 billion and $4.9 billion, 12 percent indicated that they outsource the A/P function. That percentage was even greater, at 18 percent, among the biggest companies in the survey (see Fig. 17).

Figure 17: Outsourced Functions by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
A/P	0%	1%	1%	6%	12%	18%	1%	3%
A/R	0%	1%	2%	0%	0%	0%	0%	1%
General accounting	0%	2%	2%	0%	4%	0%	1%	3%
Payroll	51%	52%	38%	29%	32%	73%	47%	47%
Internal controls	1%	1%	2%	6%	8%	0%	1%	4%
Tax	43%	38%	50%	39%	16%	0%	42%	37%
Treasury	1%	1%	0%	0%	4%	0%	1%	1%
Other	3%	6%	7%	19%	24%	9%	7%	5%

Ninety percent of U.S. companies' shared service centers are located in the United States. Eighty-six percent of Canadian companies use shared service centers in Canada, with another 10 percent located in the United States (see Fig. 18).

Figure 18: Locations of Internal Shared Service Centers by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
United States	80%	81%	65%	68%	60%	50%	90%	10%
Canada	18%	13%	28%	15%	21%	20%	0%	86%
South America	0%	0%	0%	3%	3%	0%	1%	0%
Europe, Middle East, Africa	0%	2%	3%	0%	3%	0%	2%	0%
Asia-Pacific	0%	0%	1%	9%	6%	20%	3%	1%
India	1%	2%	3%	3%	6%	10%	3%	3%
Mexico	0%	3%	0%	3%	0%	0%	1%	0%

Among U.S. companies, the functions most likely to be managed within a shared service center are general accounting, at 28 percent; A/P, at 17 percent; and payroll, at 14 percent. Thirty-two percent of Canadian firms manage A/P within shared service centers; 16 percent and 15 percent use the centers for general accounting and payroll, respectively (see Fig. 19).

Figure 19: Functions Within Shared Service Centers by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
A/P	8%	10%	29%	28%	39%	35%	17%	32%
A/R	2%	8%	8%	17%	3%	6%	6%	8%
General accounting	35%	38%	17%	7%	16%	6%	28%	16%
Payroll	16%	15%	13%	3%	19%	12%	14%	15%
Internal controls	2%	3%	2%	0%	0%	0%	1%	3%
Tax	3%	5%	2%	0%	3%	0%	4%	0%
Treasury	3%	4%	3%	7%	0%	12%	4%	3%
Other	31%	18%	27%	38%	19%	29%	27%	23%

Points of View: Outsourcing vs. Creating Internal Efficiencies

Companies of all sizes are seeking the benefits that shared service centers can offer. Consolidating functions into a single center capable of serving multiple business units can lead to greater efficiencies. Moreover, centralization promotes process improvements and enhances services and capabilities. Shared service centers can also help simplify the acquisitions process by streamlining the organization and eliminating redundancies.

Executives surveyed reported varying degrees of sucess with outsourcing, depending on circumstances, such as the particular function outsourced and the provider. "At my previous company, we outsourced some of the reporting elements of the finance function to India," said the CFO of a Canadian transportation and logistics company who found the experience a positive one. "It made things more efficient and [relieved] a lot of the routine non-value-adding activities from the more senior people."

He emphasized that the company went to great lengths to ensure its success in outsourcing. "We had somebody from the United States [on site] in India for several months," he said. After the company ironed out the kinks in the process, it "put a local manager in charge of [the outsourcing center]." Still, some bumps remained, including a high attrition rate among employees in India.

The controller of a small to midsize financial services company noted that his firm has outsourced some of its compliance work — in particular, what he referred to as "doublechecking." He noted, "We have been fortunate in that the people we have outsourced to have done a very good job for us." As a result, the firm has explored the possibility of outsourcing other functions. But, he emphasized, the firm is taking a careful approach. "Our goal is not to replace staff, but to have it complement our existing staff."

Some executives we spoke with had reservations about outsourcing functions, such as A/P and A/R, given the sensitive nature of those functions. "I don't see A/P or A/R being outsourced anytime soon, although we do outsource A/R in the U.K.," said Marietjie Bower, the controller for Commerx Corp., based in Calgary, Alberta. Commerx does outsource its tax preparation and audit functions. "Tax is convenient because I don't need to know my tax laws in depth," Bower said. "That allows me to get by [and put resources into other areas]. It has been a positive experience."

" We have been fortunate in that the people we have outsourced to have done a very good job for us … Our goal is not to replace staff, but to have it complement our existing staff."

— Controller, small to midsize financial services company

Takeaways

- It is crucial to carefully manage outsourcing relationships involving offshoring with companies in emerging-market nations. It may be necessary to send someone from the finance department to the site to oversee the process initially.
- Shared service centers can be critical for companies that are undertaking acquisitions and eliminating redundancies.

Questions to Consider

- Is it possible to consolidate processes without disrupting services?
- Can your firm capture economies of scale?
- Can your firm deliver higher quality service and improved customer satisfaction using shared service centers?

Internal **Controls**

Key Findings

- In the United States, the general accounting department is most likely to be responsible for key internal controls compliance, whereas in Canada, the financial reporting department primarily handles this function.

- As organizations make changes to help drive efficiencies, it is critical to maintain the optimum number of key financial controls from a risk management perspective.

Discussion and Analysis

Although internal controls systems vary by company, their purpose is always the same: to help the finance function maintain integrity of the accounting data and resulting reports. Finance executives generally take a top-down, risk-based approach toward internal controls that leverages technology and emphasizes the importance of ethics.

In the United States, the passage of the Sarbanes-Oxley Act (SOX) stressed the importance of strong internal controls. In the aftermath of the global financial crisis, the call for tighter internal controls and risk management has grown even stronger.

Ownership of key internal controls (including SOX compliance) in the United States usually falls to the general accounting function. This is the case in 41 percent of U.S. firms in this year's survey, versus 31 percent last year. Other functions that assume responsibility for internal controls include financial reporting (26 percent) and internal audit (22 percent) (see Fig. 20).

In Canada, where public companies must comply with Bill 198, the equivalent of U.S. SOX, ownership of key internal controls resides with financial reporting and internal audit, with 39 percent and 23 percent of the responses, respectively (see Fig. 20).

As company size increases, internal controls generally tend to be the responsibility of internal audit. This is not surprising, because smaller companies often lack an internal audit department, and internal control responsibilities are usually covered by financial reporting or general accounting.

Figure 20: Ownership of Key Internal Controls by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Financial reporting	32%	32%	31%	20%	26%	14%	26%	39%
Internal audit	10%	9%	28%	48%	33%	41%	22%	23%
General accounting	41%	51%	31%	23%	21%	27%	41%	22%
Finance projects	2%	2%	1%	2%	8%	0%	2%	3%
Other	15%	6%	7%	7%	13%	18%	9%	13%

The number of key internal controls is growing, especially among the largest U.S. companies, and is placing a growing burden on finance departments. This year, 21 percent of companies with revenues of $5 billion and higher indicated they manage between 1,001 and 2,500 key controls (see Fig. 21). In comparison, none of the biggest companies reported managing such a high number of key controls last year. The increase in the number of controls appears to go hand-in-hand with the tighter regulatory climate and the ongoing effort by accounting and finance departments to ensure the integrity of financial information. It also may suggest an opportunity to revisit the key controls to ensure they are sufficiently important to warrant a higher priority from a controls evaluation standpoint.

Figure 21: Number of Key Controls by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
0-100	95%	85%	65%	35%	48%	16%	77%	69%
101-500	4%	14%	30%	50%	38%	42%	18%	26%
501-1,000	0%	1%	5%	10%	13%	21%	4%	4%
1,001-2,500	1%	0%	0%	5%	3%	21%	1%	1%
More than 2,500	0%	0%	0%	0%	0%	0%	0%	0%

Points of View: Maintaining Internal Controls

Accounting and finance departments everywhere maintain a strong focus on internal controls, regardless of their industry, size, country or public/private status, and finance chiefs remain vigilant about the need to manage enterprise risk. It is essential to focus on the optimum number of key internal controls, particularly as finance departments continue to seek greater efficiencies in transactional processes. The number of key internal controls is the primary cost driver in complying with Section 404 of Sarbanes-Oxley. Strong internal control mechanisms help to ensure the integrity of data and data-driven analyses. When the focus is on the controls that matter, it is easier to strengthen the control structure.

Finance executives interviewed noted the amount of work their companies have put into the internal controls function. “When I [joined the company] in 2009, some of the controls were weak,” said John Maxwell, CFO of a healthcare services firm. “But we’ve worked hard to develop strong controls and documentation.”

“We are very conscious of control and enterprise risk management across the board,” said the CFO of a Canadian logistics and transportation company. “It’s a top priority.”

Takeaways

- Most finance executives take a top-down, risk-based approach toward internal controls.
- It is important to establish an ethical tone and leverage best practices with regard to internal controls.
- There may be opportunities to rationalize the number of key internal controls to increase efficiencies and sharpen the focus on the controls that truly matter.

Questions to Consider

- How effective is your organization when it comes to preventing and detecting fraud?
- Have previous audits revealed errors and/or ineffective control mechanisms?
- Are data backups performed regularly and kept in a secure location?
- Which internal controls are creating the most challenges for your company?
- Is your company monitoring the crucial internal controls and making any necessary changes to them?
- Have you established a top-down, risk-based approach to evaluating internal controls?
- Do you periodically conduct a risk-assessment survey and ensure that effective internal controls are in place to mitigate significant risks?

Watch CFO Interviews

Internal Controls:
Managing and Evaluating Internal Controls

> “ **We are very conscious of control and enterprise risk management across the board** … It's a top priority.”
>
> — CFO, logistics and transportation company

Compliance

Key Findings

- Nearly all U.S. (99 percent) and Canadian (96 percent) executives surveyed believe their compliance burden will either increase or, at a minimum, not diminish over time.
- Evolving regulations and the legacy of the global financial crisis continue to weigh on companies and their finance functions.
- New regulations affecting diverse industries and sectors continue to develop, and executives are having difficulty visualizing the pendulum swinging back any time soon.

Discussion and Analysis

The legacy of the global financial crisis, in the form of a stricter regulatory environment, continues to weigh on companies. The cost and responsibility of complying with new rules and regulations, which are growing across all industries, are borne primarily by the finance department. Nearly half (48 percent) of U.S. companies surveyed said that their cost of compliance is rising, while only 1 percent said costs are falling (see Fig. 22). The response from Canadian executives was very similar to that of their U.S. counterparts: 41 percent said that costs are rising, and only 3 percent said they were falling.

Figure 22: Cost of Compliance by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Rising	42%	44%	50%	58%	58%	48%	48%	41%
Falling	0%	2%	1%	3%	4%	4%	1%	3%
Staying steady	58%	54%	49%	39%	38%	48%	51%	55%

More important, 74 percent of U.S. and 67 percent of Canadian executives surveyed said they expect their compliance burden to rise over time (see Fig. 23), as compared to last year, when 68 percent of U.S. and 81 percent of Canadian companies said the burden of compliance would grow. Only 2 percent of U.S. and 4 percent of Canadian executives believe their compliance burden will diminish (see Fig. 23).

Figure 23: Compliance Burden Over Time by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Increase	74%	71%	73%	67%	69%	61%	74%	67%
Decrease	1%	4%	3%	0%	4%	13%	2%	4%
Stay the same	24%	25%	24%	33%	27%	26%	24%	29%

Roughly three-quarters of U.S. and Canadian companies (76 percent and 75 percent, respectively) said that streamlining regulations would ease their burden (see Fig. 24). These results were similar to those in last year's survey, when 79 percent and 76 percent of U.S. and Canadian companies, respectively, expressed hope that regulations would be simplified.

No company is exempt from the growing number of compliance-related issues, but the challenges vary depending on the type of company. Big public multinationals face a growing host of regulations, ranging from the Dodd-Frank Act and anti-corruption and bribery laws to Financial Accounting Standards Board (FASB) and Public Company Accounting Oversight Board (PCAOB) mandates.

Figure 24: Factors That Might Ease Compliance Burden by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Regulations becoming more streamlined	74%	74%	77%	90%	74%	79%	76%	75%
Strategic sourcing of regulatory resources	17%	15%	12%	4%	14%	11%	14%	15%
Other	9%	12%	10%	6%	12%	11%	10%	11%

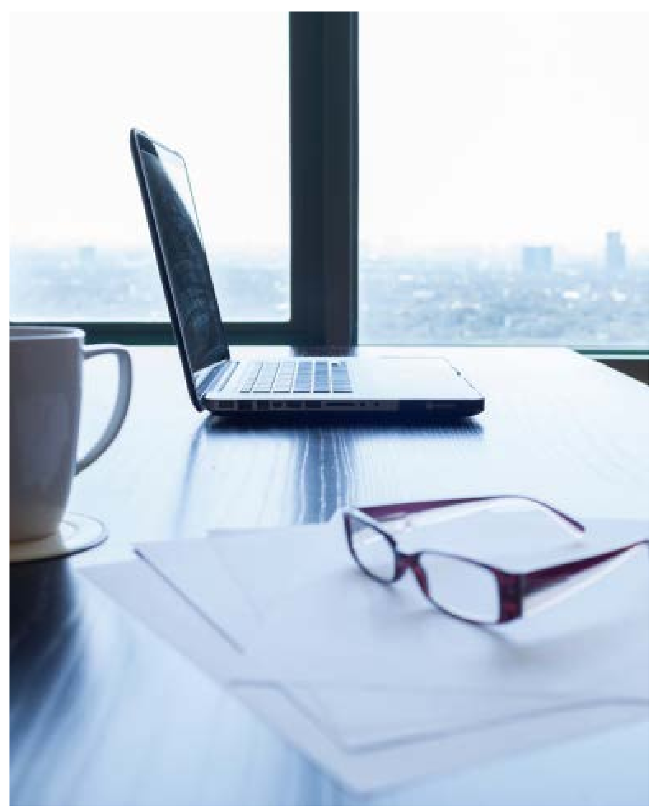
Points of View: Compliance Burden and Regulatory Challenges

The increased emphasis on regulatory compliance was most neatly summed up by a finance executive who, when asked if the compliance burden at her company had risen year-over-year and whether it will rise in the coming year, answered, "Yes, and yes."

Many of the CFOs and financial executives concurred with her assessment. For firms in the financial services industry, new U.S. Securities and Exchange Commission (SEC) and Financial Industry Regulatory Authority (FINRA) rules have had an enormous impact on the conduct of business. "[Our compliance burden] has risen and will continue to rise next year," said the controller of a financial services firm. He did add, though, that he hopes that the burden will level out after next year.

At global companies, which have to comply with multiple regulatory regimes in the regions in which they operate, the task of compliance is even more complex. "Our compliance burden has risen year-over-year because our company deals directly with JSOX, a Japanese set of regulations similar to Sarbanes-Oxley," said the compliance director of a large multinational company who is responsible for internal audits and risk-based audits for North America. Other executives cited their concerns about the compliance burdens that the Affordable Care Act may place on their organizations and the uncertainty as to when that will happen.

Moreover, new laws and regulations are continually being introduced that add to compliance requirements. "In terms of legislation, there is always something [new] coming up," said Lynn Wise, director of operational accounting at Ritchie Brothers Auctioneers, an industrial auctioneering house that operates in Canada, the United States, Mexico and Central America. "In Mexico and



Central America, there are money-laundering laws that come into play," said Wise, noting that these add to the cost of doing business.

Companies also indicated that regulations place another, subtler burden on their staffs. The assistant controller at a large consumer products company, which recently had to address the SEC reporting requirement on conflict minerals (defined by the SEC as minerals that originated in the Democratic Republic of the Congo or an adjoining country), described it as a matter of having to devote "mindshare" to the issue of compliance. "I don't know that it's the financial cost of compliance that has impacted us, but the time cost. The time we have to spend monitoring compliance has been significant," she said. "It is definitely something that [drains] time and energy."

Still, finance executives acknowledged the importance of regulations. "Many regulations, such as environmental rules, are good things," said Minco Products' Paul Smejkal. But, he added, "There needs to be a balance."

Takeaways

- The Affordable Care Act may place extra regulatory and compliance burdens on U.S. companies.
- It is critical to identify your company's key compliance risks and ensure the compliance program necessary to manage them effectively is in place.
- Companies must stay on top of industry-specific regulatory changes.
- Training staff to address new rules is a first step in handling the changing regulatory environment.
- An ad hoc approach to managing compliance can result in redundant controls, gaps or overlaps in internal control ownership responsibilities, and fragmented reporting of compliance risks and controls, all resulting in higher costs.

Questions to Consider

- Is your firm adequately prepared to adopt any new and impending accounting pronouncements?
- Do you need to plan for staff training in light of new compliance issues?
- Are your compliance costs rising too quickly?

> "**I don't know that it's the financial cost of compliance that has impacted us, but the time cost.** The time we have to spend monitoring compliance has been significant."
>
> — Assistant controller, large consumer products company

Conclusion: **Putting the Data to Work**

Managing the accounting and finance functions in today's environment requires financial executives to plan ahead and understand their companies' strengths and vulnerabilities. They also must be able to analyze the economic landscape and identify the key opportunities and challenges their businesses face. They must support the organization with quality information for decision making.

Critical to achieving these goals is making sure that the accounting and finance departments are operating with precision and that financial executives are thinking several moves ahead.

It's important to establish benchmarks and standards in the process. Benchmarks allow executives to gauge whether they are executing a timely and clean close and whether their department's processes are efficient. In the area of staffing, benchmarks can prompt questions about whether internal resources are sufficient to complete projects critical to the enterprise and whether periods of peak business activity are producing a backlog of work. A benchmark offers a yardstick in the area of technology by allowing finance executives to see whether their ERP system measures up. Finally, benchmarks point out best practices in areas such as sourcing, internal controls and compliance.

Benchmarking the Accounting & Finance Function: 2014 is intended to provide such a yardstick, one that will enable executives to measure their organization against peers and competitors and gain a better perspective on where the finance department currently is — and, more important, where it needs to go.

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