Redwood

The Journal Entry Buyers Guide

How to Find the Right Journal Entry Solution for Your Organization

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Introduction

The purpose of this guide is to provide a practical resource to assist you on your buyer's journey. When you buy any software it's important to understand why the software is being acquired.

There are three important steps to guide you on your journey. First is to understand and define the problem. Once the problem is defined, you can begin to research the market for specific solutions to your problem. And finally, conduct your evaluation.

You will find a buyer's checklist and other resources at the conclusion of this report to assist you on your journey.

Journal entry is an extremely labor-intensive and time-consuming part of any close process. Month-end journals in a large enterprise can easily number the thousands, often requiring the completion of unwieldy data validations, error corrections and approval routing being uploaded to an ERP system for posting.

This guide will focus on journal entry automation solutions, but the underlying principals are applicable to any software buyer's journey.

Step 1: Define The Scope

It's important to understand the overall organizational goals and objectives the solution is intended to address and also the specific pain that would persist by not solving the problem. By specifically identifying and connecting these areas, you will be able to generate a concise list of requirements that will guide you through the buying journey and lead you to the proper solution.

Business Goals and Objectives

Understand the business goals and objectives of the purchase. Ask yourself or others some of these questions to uncover the purpose:

- **What is the purpose of the software purchase?**

- **How does the purchase align with organizational goals and objectives?**

- **Is the solution intended to create money? Or is it to save money? Or to mitigate risks? Or all of these?**

It's important to ask these questions and have a clear response. At some point during the buying process you will need to create a business case to prove return on investment and potentially compete with other organizational priorities and budgets. Without clear understanding and alignment, how can you measure success? One way to really focus on the true impact and alignment of the solution is to focus on the pain points.

Pain Points

Let's focus on journal entry activities and the associated pain. Some journal activity is automated within ERP systems. But the reliance on manual preparation means finance teams can still spend days just collating the data needed to calculate accruals, prepayments and adjustments before month-end. Far from being a minor source of frustration, more than half of finance professionals believe they spend too much time on transaction processing of this nature, according to a study by FSN Research.[1]

This is an obvious pain to the finance team, which is responsible for collecting, calculating and formatting the data to post these journals, but what about the labor cost of this manual effort? And since these journals are repeated month after month across many parts of the organization, what does this mean in terms of close cycle times? Does the manual effort delay the production of critical reports and statements that are used by senior leadership to make strategic decisions? This is why it's important to understand the full impact of the pain or problem and how it relates to organizational goals and objectives.

Requirements

Next, consider the requirements of the software. We may already know that a journal entry solution should include features such as:

- **Journal templates for standardized posting**

- **Controlled approval workflow based on journal values**

- **Journal validations to ensure the proper values are captured and can be posted to the ERP**

- **Automated journal reversal**

- **The ability to attach supporting documentation**

- **A complete audit trail**

But do these features really solve the pain points we've identified for journal entry? That pain is the manual effort endured by the finance team to collect, calculate and format the data needed to create the journals, which can be in the thousands and are repeated every month across the organization. This extra manual activity around journal entries also takes place at the time of the month when finance activity is at its peak, which results in a longer closing cycle and latency in producing key reports and analytics.

The solution you are looking for should certainly include the core journal entry features listed above for starters. But, based on the specific pain around manual effort, it should also automate the full journal process, including the data collection from any system, formatting, calculating and completing the proper journal template.

There is a complete buyer's checklist with more information included at the ***end of this guide.***

Step 2: Explore The Market

By this time in the buying journey, you've probably done research on the internet and used other sources to identify potential vendors that have viable solutions for solving your problem. Now you need to evaluate these potential software solutions based on your true journal entry pain and organizational impact.

Research Solutions

Once you have created a short list of vendors you now need to research them again, but this time based on your expanded specific requirements list that is focused on solving the real problem and pain.

The claims by most journal entry solutions will sound similar. Expect to see words like automate, manage, approve, validate, electronically certify and archive. We know these words are needed as part of our

requirements, but do they solve your problem? To what extent does the solution eliminate the true manual effort in the journal entry process? Make sure to focus on ubiquitous terms such as automation. What does automation actually mean in practice for the solutions you are evaluating? What level of automation do you need to solve your problem and which solution provides that level of automation?

Determine Best Fit

Now that you truly understand your requirements, how they solve your problem and the solutions offered by various vendors, it's time to determine best fit. This is simply mapping the solution's benefits to how it solves the pain(s) you've identified. In some cases, there is a single vendor that clearly has the unique set of features or value proposition that solves your pain(s). Other times, there are several vendors that seem to be a good fit.

However, if there are more than three vendors, it's good practice to go back and re-evaluate the pain, the impact and alignment to ensure they are properly defined and quantified. One other point to consider here. If it takes more than one vendor to solve your pain/problem, keep looking. In this journal entry scenario, you shouldn't have to purchase a journal entry application plus an automation technology, such as RPA, to achieve the level of automation required.

Step 3: Selection

In the selection step, it's quite possible that all other solutions have been eliminated and there is only one viable vendor option. If that's the case, your pain definition, research and best fit analysis was successful. This can reduce buying cycle times and put you on a much quicker time-to-value curve.

If there is more than one viable vendor, make sure to include all relevant participants within your organization in the evaluation. This will ensure there are no "a-ha" moments later in the buying cycle. If you are unsure of who those participants are, ask the vendor. They will have knowledge from previous sales engagements to properly align your cycle with theirs. Also, follow the pain to find those in your organization who are impacted by the selection.

Solving the Pain

When you've followed the pain to the organizational goals and objectives, you should have a clear line of sight of who should be included in the evaluation. Let's look at the journal example.

The finance team is burdened by the manual effort of collecting, validating, calculating and creating journal entries on a monthly basis. This creates employee morale issues, extends closing cycle times and delays reporting and analysis for senior executives. If you want to solve that pain then you should include managers who understand the burden on the finance team, the person whose key performance indicators

are measured by closing cycle times and also the executive sponsor whose strategic insight is impaired by delays in reporting. You can create a full value chain, up through senior leadership. This will ensure that everyone who needs to be involved is onboard, aligned and creating an environment of success.

Achieving Goals and Objectives

This is one of the most overlooked parts of the buyer's journey. Was the project successful? How do you know?

By following the steps outlined in this guide, you will have a clear measure of success. Did you successfully solve the pain with the solution you procured, allowing our organization to save money and giving senior leadership strategic insight more rapidly? Make sure you understand these KPIs at the beginning and quantify in terms of days, man hours, dollars, etc.

> Carefully consider how your preferred partner will help you expand your automation and continue to deliver value through the life of your contract.

Buying Checklist

Features	Functionality
Journal Templates	The ability to create multiple templates to accommodate various journal types. A single template for all types of journals are error prone and open to manual manipulation. • Access control - Who can access and post certain types of journals? • The ability to create specific journal types for different types of expenses and costs (marketing expenses, project adjustments etc.). • Restrict templates to posting types (IDs or document types, for example) creating clear audit trails. • Journal types restricted to specific accounts, range of accounts, account/cost center or other combinations.
Approval Workflow	Restrict preparation and what is posted based on templates and approval. **Values:** Routing based on total minimum or maximum overall journal dollar amount or other value. Routing based on value at individual line item level. Multiple levels of approvals. **Maintenance:** Easy to create and maintain approval matrix. **Qualitative:** Ability to implement qualitative approval, for example evidence is attached and reviewed by the proper individual.

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Validation	The ability to create "in-template" validation at value level - restricted to accounts, company code, cost centers, etc. Validate against the underlying ERP master data - you should never be able to override the pre-existing validation that already exists. The ability to check whether certain evidence has been provided.
Posting	The ability to post the final approved JV to ERP using standard API - this will allow final validations avoiding amounts being posted to wrong accounts/account combination.
Reversal	The ability to define reversal date as part of the submission and the system to auto - reverse automatically.
Evidence & Documentation	The ability to attach entry templates, calculations, Additional documents and evidence. Attach the submitted evidence to posted line items within the ERP. This will ensure that all evidence is kept in a single store.
Audit Trail	The audit trail is not just the final item posted to the ERP but the entire journey that can easily be followed by an auditor. Includes: • User ID of person creating/completing the journal template. • Submission time stamp. • Approval flow and user IDs of all persons approving each stage of the journal. • Actual posting evidence from the ERP system. • Source data, calculations and supporting evidence. • Easy to organize and view structure.
Retrieval of Underlying Data	The ability to extract data from ERP or other sub-systems, such as payroll, HR, contracts, credit management etc. Know what data to access from what system based on different types of journals.
Transformation of Data	Data available in subsystems or the ERP is stored in a way that cannot be consumed as retrieved. The data will need to be transformed before the required calculation can be performed. The selected tool should have easy to configure data transformation capabilities.
Calculation	The selected tool must be able to take different data sources and perform various calculations for different types of journals.
Analytics	The solution must provide flexible, pre-configured, live dashboards that provide both operational and management analytics.

Conclusion

Between 50% to 60% of the time spent on the period-end close can be consumed by the processing of accruals and provisions. And when selecting a journal entry tool people often focus on the upload part of the process – that is the data entry, validation, workflow and approval.

However, in reality 60% to 70% of the effort for journal entry actually goes on the preparation of the data before it is entered onto a template. But this is often overlooked. When you buy a journal entry solution it is important to put an equal, if not higher, priority on capabilities such as retrieval of underlying data, transformation of data and calculation if you really want to eliminate the manual effort and cost in the process, as well as improve controls and reduce the time to close.

About Redwood Finance Automation
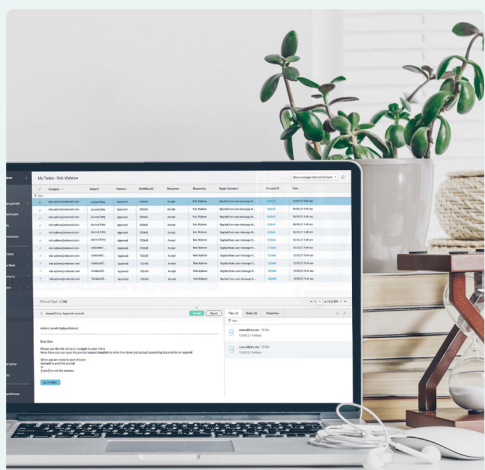
Redwood Finance Automation is a cloud based automation platform that runs transparently across your entire end-to-end close process. It takes care of your SAP/ERP close tasks natively inside your ERP deployment across different instances and versions, including SAP HANA and S4. It also handles other closing items, such as automated calculations of accruals, provisions, re-classifications, intercompany reconciliations and postings, and close-related reconciliations, and manages reminders, notifications and dependencies to manual activities such as essential reviews and approvals.

Redwood Finance Automation is designed to be configured and used by non-technical business and accounting functions. Easy-to-administer workflows, approval flows and thresholds can be used in a way that means everyone from subsidiary accounting teams to corporate SSCs knows their responsibilities, next steps and exceptions. This frees them from onerous, repetitive, detailed and error-prone tasks to focus on higher-value analysis and insight work.

See Redwood Finance Automation In Action

Redwood Finance Automation can eliminate time-consuming manual efforts, increase confidence and gain control over your financial processes.

Get a Demo

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