

# Dow Chemical

Discovers Formula for Accelerated  
Financial Close, Enhanced Finance  
Controls, and Automation

Dow Chemical celebrates achieving first place in the Ventana Research  
Technology Leadership Awards (Category — Business Innovation: Office of Finance)  
(L to R): Kaylee Niemiec, Theresa Buckmaster, Maureen Dorman, Pat Withrow, Emily Backus, and Pattaranut Wongtanasirikul



by **Ken Murphy**, Features Editor

**W**ith hundreds of legal entities worldwide, each generating transactional records for thousands of general ledger accounts, The Dow Chemical Company has about 1,000 employees prepare and submit roughly 250,000 account reconciliations each quarter. Five years ago, two situations conspired to put additional pressure on Dow's existing reconciliation processes and transform what had been a relatively uneventful, if stressful, financial close.

First, Dow acquired specialty chemical manufacturer Rohm and Haas, itself a global Fortune 500 company with numerous legal entities, representing a sizable increase in the number of account reconciliations that Dow would now have to process. Second, integrating the recent acquisition of Rohm and Haas employees and systems — as well as those coming from other

smaller mergers and acquisitions — was occurring in parallel with a major IT project. Dow had started a global initiative to phase out multiple instances of its SAP R/2 legacy mainframe in a migration to the SAP ERP 6.0 platform. This project was putting additional strain on Dow's accounting resources who already had their hands full navigating the account reconciliations.

#### **Manual Means**

Despite having structured account reconciliation policies in place, such as requiring key accounts to be reconciled by the 10th working day of the month and signed off on by the 15th working day, it wasn't easy for Dow's accounting resources to meet these deadlines while following the spreadsheet-based manual reconciliation processes without devoting a lot of time and effort.



(L to R): Kaylee Niemiec, Emily Backus, Theresa Buckmaster, Anthony Nazarowff, and Pattaranut Wongtanasirikul are administrators and end users who are happily experiencing simplified system data loads with BlackLine's reconciliation templates at Dow Chemical

## At a Glance

**Goals:** Improve financial close and other key accounting processes to divert necessary resources to more value-added projects; and lessen reliance on error-prone manual processes

**Strategy:** Implemented the Account Reconciliations and Variance Analysis modules of BlackLine's cloud-based Financial Close Suite for SAP Solutions, using the BlackLine SAP Connector to extract data

**Outcome:** Significant savings in time and resources spent reconciling 250,000 accounts; auto-certification of more than 50% of key accounts and 60% of overall accounts; and standardization of account reconciliations with a 24/7 centralized database view of account status

One significant challenge was a lack of standardization. Data was extracted from the SAP system and transferred to spreadsheets, with supporting documents stored on file servers or in file folders. For many teams, printing copies of account reconciliations was standard practice. Each team had its own processes, as well as unique customizations to the spreadsheets. All of this made it difficult for managers signing off on the reconciliations to verify if they were prepared correctly, or to locate any needed supporting documents.

Pat Withrow, Accounting Director with Dow, describes the previous process. "There was no central database and no standardization; electronic and paper copies were stored in locations all over the world, which made the review and approval process a significant burden. The person who prepared an account reconciliation would let the reviewer know, and this started a hunt for the paper trail. They'd have to find it on a file server or more likely it was a hard copy. I used to sign off on reconciliations, and I'd have a two-foot-high stack to go through by hand. It was a very tedious process."

Dow realized that making small changes to existing manual processes — such as requiring a uniform



spreadsheet format or tightening supporting documentation procedures — wouldn't address the larger challenge of having a manual reconciliation system that was prone to data-entry errors. And because the upgrade to SAP ERP Financials would be unlocking an enterprise-wide view of transactional data, the business needed to move away from a process that involved hunting for information in three-ring binders. "We revisited our policies and processes and knew that small changes weren't going to deliver the productivity improvements we needed," Withrow says.

### Turning to the Cloud

Once Dow decided to automate its account reconciliation processes, it created a top 10 list of requirements for an automation tool. Chief among them were speed to implementation, ease of use, and compatibility with Dow's existing policies, such as its preparation and certification timelines for key accounts. Another requirement was compatibility with both SAP R/2 and SAP ERP, as Dow's intent was to automate reconciliations for its various businesses and operating divisions irrespective of where each division stood in its SAP ERP upgrade.

After demoing account reconciliation software from several vendors, Dow decided to implement the SAP-endorsed software-as-a-service (SaaS)-based Financial Close Suite for SAP Solutions from SAP gold partner BlackLine. (For more details about the BlackLine solution, refer to the sidebar at the end of the article.)

Any concerns over cloud security were mitigated quickly when BlackLine demonstrated its encryption procedures and overall data security measures for safe off-premise data storage. "Our IT people were involved very early on with a very extensive review of those security measures and came away satisfied," Withrow says. "The way BlackLine rolls out new versions and addresses potential security breaches became clear selling points."

The software's auto-certification functionality in the Account Reconciliations module was appealing to Dow because it offered an out-of-the-box configuration similar to the rule sets and policies the business already had in place for many of its key accounts, albeit in a manual checklist. This meant that Dow could quickly automate its key accounts without having to spend a lot of time setting up new auto-certification rule sets.

"The fact that we didn't have to make any process changes was one of the key efficiencies," Withrow says. "Having well-defined policies in place, with rules already established for four different buckets of accounts, meant that when we rolled out BlackLine, we didn't have to put in a more structured policy framework."



## The Dow Chemical Company

**Headquarters:** Midland, Michigan

**Industry:** Manufacturing and specialty chemicals

**Revenue:** \$57 billion (2013) approximately


**Employees:** 53,000 approximately

### Company details:

- Founded in 1897 by Herbert Henry Dow
- President, Chairman, and CEO Andrew N. Liveris has been with the company for 38 years
- 2013 sales of Dow's five operating segments: Agricultural Sciences (\$7.1 billion), Consumer Solutions (\$4.6 billion), Infrastructure Solutions (\$8.3 billion), Performance Materials and Chemicals (\$14.8 billion), and Performance Plastics (\$21.9 billion)
- Delivers a portfolio of more than 6,000 specialty chemical, advanced materials, agrosiences, and plastics products to customers in approximately 180 countries
- Manufactures products at 201 sites in 36 countries
- BlackLine project earned Dow first place in the Ventana Research Technology Leadership Awards in the Business Innovation: Office of Finance category
- [www.dow.com](http://www.dow.com) (NYSE: DOW)

### SAP solutions:

- SAP Business Suite 7.0 — the newest version of SAP's business suite software solution, which is comprised of enterprise resource planning and related applications and enables organizations to perform industry-specific and business-support processes with modular solutions that are designed to work with other SAP and non-SAP software

A close-up portrait of Pat Withrow, a woman with short, wavy brown hair and blue eyes, smiling warmly. She is wearing a dark blue blazer over a red top, a black necklace with white beads, and large hoop earrings. The background is a soft-focus green.

"In addition to freeing up resources to divert to the SAP ERP implementation, we're also finding that teams are now spending more time during the closing process performing analysis, drilling down into balance sheet fluctuations, and conducting other valuable activities there hadn't been time for previously."

– **Pat Withrow**, Accounting Director,  
The Dow Chemical Company

### **Automation Begins**

Dow signed the contract with BlackLine in September 2012 and began the implementation in November 2012, after completing a 30-day pilot. In the first, second, and third quarters of 2013, Dow completed the implementation of the Account Reconciliations module for its North America, Europe and Latin America, Pacific, and intercompany accounts, respectively.

For the pilot program, Dow chose to expose about 70 users across the globe to the new functionality. Its intent in creating this test environment was twofold; it would help obtain user buy-in, and help the company identify areas where functionality could be improved once it began a large-scale rollout.

"We would have encountered a lot more challenges with the implementation if we hadn't completed the pilot program," Withrow says. "That initial rollout helped us not only understand the functionality, but also identify which of our more complex reconciliations would need more attention once we completed the implementation."

Withrow also credits the pilot program with helping to ensure that Dow didn't use the allotted 40 hours of BlackLine implementation support included in the contract. This, she says, speaks to the BlackLine focus on ease of use for both administrators and end users. Its reconciliation templates are designed to simplify

system data loads, making it easy to run through batches of accounts and decide which functionality will be turned on for which accounts, such as multicurrency, or which accounts will satisfy the auto-certify rule sets. "It's an intuitive walk-through where decision points on a screen will turn on (or off) certain functionality," Withrow says. "The easy setup ensures that you don't miss anything."

This ease of use helped allay the normal user resistance over having to adapt to a change in familiar processes, and Withrow says that the transition to automated reconciliations went about as well as could be expected. Growing pains were soothed rather quickly when users realized that the software was indeed helping them perform their tasks more efficiently. They also appreciated the peace of mind that comes from knowing with certainty that an audit trail won't end at their desk.

"On average, it didn't take more than a few months before everyone was on board, even those who were really resistant," Withrow says. "I spoke to someone recently who said they used to wait until the last minute to prepare their account reconciliations because it took that long to get everything together. With that legwork now automated, they are just waiting for the books to close to validate balances, and then the reconciliations are done."

## Closing with Confidence

Withrow attributes this user satisfaction to three major benefits provided by BlackLine:

- **Auto-certification.** At implementation, Dow auto-certified more than 50% of its key accounts and more than 60% of its overall accounts through the BlackLine Account Reconciliations module, significantly reducing workloads and allowing for teams to shift toward more value-added activities related to the SAP ERP upgrade.
- **Improved transparency.** Unlike with spreadsheet-based accounting, with the BlackLine central repository, Dow can easily see the percentage of accounts that are being reconciled on time and in accordance with its policies; reviewers can see the status of any reconciliation at any time.
- **Improved auditability and enhanced finance controls.** The visibility that comes with automation means that internal or external auditors have clear audit traceability; reconciliation print-outs and piles of supporting documents are all in one location, which helps ensure compliance.

"With these benefits, we're now, for the first time, able to put metrics around the processes, which also helps drive other opportunities for improvement," Withrow says. "In addition to freeing up resources to divert to the SAP ERP implementation, we're also finding that teams are now spending more time during the closing process performing analysis, drilling down into balance sheet fluctuations, and conducting other valuable activities there hadn't been time for previously."

## A New Beginning

Dow completed its SAP ERP upgrade in August 2014. The company looked at this as an opportunity to begin the second phase of its BlackLine implementation, which includes auto-certifying more accounts and ensuring its newfound account reconciliation standardization is realized on a global basis, and not just on an operating segment or geographic level.

Also, with its upgrade to a single SAP ERP platform, Dow can now implement the BlackLine SAP Connector, which extracts data from SAP ERP and formats and imports the data directly into the Account Reconciliations and Variance Analysis modules. The roll-out of Variance Analysis is another part of the second phase of Dow's BlackLine implementation. Variance Analysis is a monitoring tool that checks for account deviations that fall outside of preset parameters, automating period comparisons such as quarter-over-quarter, year-over-year, or budget-to-actual figures. Much like account reconciliations, automating discrepancies and what had been manual troubleshooting processes will make scenarios obsolete that had previously been stressful and fairly commonplace.

"With the old system, if our company controller called at the end of the day asking about a balance sheet change on a European account, we would have had to call people in Europe and wake them up, assuming we could find their phone number. Now, we can take one look and tell the controller precisely what is happening with that account," Withrow says. "Efficiencies like that are hard to put into numbers, but they let you see the gains that we've made." ■

## How BlackLine Helped Dow Accelerate Its Financial Close and Improve Internal Finance Controls

Account reconciliation is an often underappreciated yet critical control to help ensure an organization's financial integrity. Weaknesses and inefficiencies in the reconciliation process often lead to mistakes on the balance sheet and overall inaccuracies in the financial close. BlackLine's Finance Controls and Automation Platform increases business efficiency and visibility, while ensuring the highest degree of balance sheet integrity with its flagship Account Reconciliations software, which automates and controls manual accounting processes that users typically perform using spreadsheets.

Delivered through a scalable and highly secure cloud model, BlackLine empowers more than 900 global companies to reduce the time and resources required to execute month-end closing with unparalleled accuracy, fueling confidence throughout the entire accounting cycle. With more than 100,000 users in over 100 countries, BlackLine supports the entire close-to-disclose process, as well as a host of other key accounting and financial processes.

BlackLine works with all major ERP platforms and general ledger (GL) systems and can dramatically improve the accuracy and timeliness of compliance reporting in light of heightened Sarbanes-Oxley (SOX) requirements, diverging international standards, and increasing government regulations.

One of fewer than 40 solutions across all categories and industries to be an SAP-endorsed business solution, the BlackLine Financial Close Suite for SAP Solutions complements the SAP suite of solutions by providing a comprehensive offering for account reconciliations that extends the functionality inherent in SAP ERP. Running alongside SAP software, BlackLine provides clients, such as Dow, with unprecedented visibility into the account reconciliation, financial close, and other key accounting processes — ensuring accuracy in the numbers, minimizing risk, and maximizing efficiencies.

BlackLine headquarters are in Los Angeles, with offices in Atlanta, Chicago, London, Melbourne, New York City, and Sydney. For more information, please visit [www.blackline.com](http://www.blackline.com).



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