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At the Forefront:

C-Suite priorities for value, resilience, and performance

At the Forefront: Foreword

For the remainder of this year, moving into 2025, macro issues continue to create uncertainty in the boardroom: U.S. national elections, the scheduled *Tax Cuts and Jobs Act* (TCJA) sunset, interest rate and global monetary policies, a shifting trade landscape, and of course emerging technologies and evolving risks and regulations. Rapid change, coupled with uncertainty, can impact a company's ability to fully execute its strategic plans.

And yet: A changing environment is not inherently negative. We've seen time and again, organizations that understand how changing market forces can impact their business are able to act more decisively than competitors who don't, and create opportunity. They are better equipped to rethink their operations and make strategic investments that mitigate risk and drive future growth.

In this guidebook, you'll find some of our top insights and guidance to help you not only keep up with the change ahead, but thrive amid it. You can use this as a discussion guide among your C-Suite to help identify and navigate some of the top issues facing your organization now or in the year ahead. CohnReznick's industry-leading advisors strive to help your organization stay at the forefront with strategies that maximize value, optimize performance, and manage risk.

Navigate the Report - *Click to skip to each article*

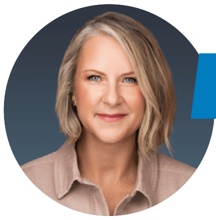
Maximizing Value

Risk Management

Modernizing Business

Q&A: Preparing for — and thriving through — tomorrow's challenges

To set the stage, we asked Kristen Soles, Managing Partner, Global Consulting Solutions, to share her perspectives on current and continued challenges and the best ways to prepare for them.



Kristen Soles
Managing Partner, Global Consulting Solutions

How can leaders improve decision-making in an evolving business environment?

KS: Make ROI a guiding principle in decision-making. If you're modernizing marketing and sales, you should be able to see top-line growth. If you're modernizing employee training, you should be able to see bottom-line growth in terms of work quality and acceptance from clients. If you're not able to measure the value of your decisions or tie an ROI to a new process or practice, then you should rethink doing it.

In all business decisions, articulating the desired outcome provides you with the framework to evaluate your progress.

What is one of the key areas that C-Suite execs should not lose sight of?

KS: Understand, at the highest and deepest level, what your clients need, want, and prefer in the current business environment.

A deep understanding of what your buyers are experiencing allows you to adapt your service offerings and ultimately gain market share. If you know their struggles, you can address and overcome their challenges. Talk to them about things that keep them awake at night, and issues they haven't even anticipated; helping customers see around corners is where you can bring tremendous value.

What are some of the most significant risks companies are facing, and how can companies maximize resilience against them?

KS: Some organizations are going to be more heavily affected by a potential change in administration or new policies at the federal level; others are especially vulnerable to geopolitics. Across the board, cyber threats and third-party supply chain risks are near-universal. Every company should undergo an enterprise risk assessment to determine their specific challenges. If you don't understand the risk to your enterprise, you have top- and bottom-line exposure.

When we think about resiliency, we tend to think about normal business operations. How do we, as an enterprise, continue business as usual in the face of unexpected events or challenges?

That level of stability requires two things. First is anticipating events and challenges. Identifying and planning for potential disruptions allows a company to begin solving for those issues, with appropriate planning for business continuity and incident response. If you understand the probability of any certain event and prepare accordingly, you will be ready to outpace your competition whatever may come.

Second, all areas and aspects of the business have to be involved in resilient effort planning. If you want to plan for cyberattacks, for example, you can't just isolate the IT team in a room conducting tabletop exercises. All of your departments and processes need to be considered. How are you going to communicate with vendors? With employees? How will you continue broader operations? Enterprise risk and resiliency involve the entire enterprise and must not be addressed in silos.

Where are you seeing modernization change business strategy and output?

KS: Beyond the obvious tools and technologies, such as AI, analytics, and ERP tools, we're also seeing the evolution of business development functions and the finance function, where automation is increasing efficiencies and freeing up time for more value-added activities. Opportunities abound for reimagining employee training protocols, cyber threat assessment, process automation, and cloud migration.

As the pace of change has skyrocketed, and new vendors and tools are coming out at breakneck speed, it can be a struggle for companies to keep up. It's a balancing act to juggle legacy tech and traditional methods with the potential benefits of new software or technology, and to build a human roster of the right size and skill set to manage it all. Band-Aid additions of tech along the way can lead to tech debt and inefficiencies, which calculates to real cost.

But despite the challenges, these decisions represent a significant opportunity for growth.

Maximizing Value

Finance modernization success

Kim Clark Pakstys
Managing Director,
CFO Advisory

To best position your finance department to remain competitive and resilient, focus on these key elements: technology, data analysis, and more.

The landscape of finance is undergoing a profound transformation. As organizations navigate the complexities of the digital age, the key to staying competitive and resilient lies in successful finance modernization. In the past, finance departments were viewed as back-office, number-crunching departments looking into the past and reporting on historical results. Today, successfully modernized finance departments are seen as strategic partners that can influence business decisions by providing real-time, data-driven insights. This transformation has been driven by the need to streamline financial operations, unlock efficiencies, improve data governance and decision-making, and create more business impact. It requires a strong foundation: not only leading-edge technology, but also best-in-class practices, the right people, and timely and accurate data coming from core finance processes to feed data-driven dashboards and process automation tools.

To best position your finance department to unlock efficiency, agility, and sustainable growth, focus on these key elements of successful finance modernization.

This article is based on a CohnReznick roundtable.

01

Propelling change through the redefinition of traditional processes and operations.

Automating ineffective, inefficient processes is a waste of time and money. Finance transformation should include a full re-assessment of the current function, aimed at revolutionizing the way the corporate finance function manages its strategy, processes, internal controls, and financial reporting.

02

Moving toward transformational Centers of Excellence (COEs) and outsourcing.

With traditional outsourcing, the focus was on reducing costs (e.g., leveraging lower-cost offshore resources). **Strategic** outsourcing looks for not only cost advantages, but also access to external expertise to drive process and operations improvement. Shared services or Centers of Excellence (COEs) can help organizations enhance their customer and vendor experience, rapidly adopt best practices and new technologies, and implement entirely new business models (e.g., direct to consumer).

> New capabilities are allowing finance departments to reimagine what's possible – transitioning from a back-office function to a forward-looking entity that can inform where the company is going.
>
> ***Kristen Soles***

03

Adoption of cutting-edge technologies.

Finance teams looking to modernize usually start by automating core finance functions, such as payroll or general ledgers, then exploring more complex solutions. Automated workflows and robotic process automation (RPA) are fast becoming the go-to tool in driving operational efficiency, reducing costs, and improving compliance by minimizing human errors. These investments are important to addressing not only repetitive tasks and bandwidth constraints, but also talent and recruiting challenges: Top performers will expect technology-enabled workforces.

04

Leveraging data analysis for decision-making.

The integration of RPA with advanced technologies like artificial intelligence (AI) and machine learning can further elevate the analytical capabilities of the finance function, providing deeper insights and predictive analytics. This technological synergy enhances the CFO’s role in strategic decision-making, risk management, and driving business growth, ultimately positioning the finance department as a more proactive and strategic unit within the organization. To unlock the power of data, companies need to have a clear data governance strategy with the optimal mix of standardized manual and automated processes.

Next steps to start or accelerate your transformation journey

- Outline and communicate strategic goals and desired outcomes – what are you transforming, and why?
- Align and engage key stakeholders.
- Identify the sponsor, governing body, and champions for the transformation.
- Consider engaging business advisors to shape and guide the journey.
- Determine the gap between current and desired state.
- Create a detailed road map and implementation plan.
- Commence the transformation initiative.
- Manage progress and monitor accomplishments.
- Celebrate key milestones.

Maximizing Value

Creating value with outsourced financial management

Kane Polakoff
Principal, Practice Leader,
Client Advisory Services (CAS)

Organizations can help accelerate growth with finance outsourcing such as Client Advisory Services. Find a team with the right industry, accounting, and technology experience.

How do businesses stay agile, innovative, and focused on their strategic goals when fluctuations in the economy, geopolitical risk, and changes in the competitive landscape are causing them to continuously re-evaluate how they approach the market and organize themselves operationally? As companies find themselves experiencing rapid growth or unexpected downsizing, they are exploring options to navigate scaling up or down while continuing to manage day-to-day operations effectively and efficiently without interruption.

Spiking demand for finance function outsourcing

Developing a plan of action around your organization's day-to-day accounting, year-end audits, and especially with regards to business advisory and consulting services, continues to be of great interest among executives.

Within the scope of Managed Service Offerings (MSO), the finance function has taken new prominence as a way to leverage innovative technologies, gain efficiencies, and manage costs. Often referred to as Client Advisory Services (CAS), many providers have moved beyond basic bookkeeping, payroll, and invoicing to meet the demand by CEOs, CFOs, and controllers seeking a more comprehensive accounting solution. CohnReznick's CAS practice focuses on a more progressive partner approach, offering business advisory, FP&A, and technology solutions.

Innovation at scale

The right platforms can help your organization standardize processes, optimize current tech stack, and scale back-office operations to help meet your business' needs and deadlines, as well as promote operational efficiency; all while offering the ability to scale as needed and plan for the future of your business.

This is not just a technology decision but is truly a business decision. Many organizations find it challenging to prioritize investments while keeping up with technology advancements, regulatory changes, and staffing turnover and training. CAS is much more than bookkeeping; it's understanding and identifying your pain points and providing solutions.

Identifying the right CAS provider

Exploring the following questions will help guide your organization in selecting a provider who can offer full-service accounting, finance, and advisory services to meet your needs today and in the future:

Technology

A CAS provider should have the depth and breadth of experience with the platforms that they recommend.

- Are team members certified in the applications they are implementing and optimizing?
- What is the strength of their relationships with the vendors they recommend?
- Have they developed onboarding and training plans for a "train the trainer" program?

Industry experience

While it's important to work with a CAS team that can provide core services, a strong team will also understand the nuances of your industry.

- Do they understand the regulatory and reporting requirements of your industry?
- Do they have in-depth knowledge of the requirements, timelines, and deadlines of your sector?
- Are team members from the industry or involved in industry associations?

CAS and client focus

- Are they staying abreast of CAS developments by participating in board associations and working groups, and attending or presenting at industry conferences?
- How do they stay at the forefront of technology in the CAS space in order to share the most up-to-date and innovative resources with their clients?
- How do they demonstrate client service, and what processes are in place to foster a continuous strong relationship?

The right team will offer elevated client services, an experienced team, a focus on technology, industry insight, and a genuine desire to support your business' growth.

Working with your CAS provider

Any outsourcing or co-sourcing provider becomes a true extension of your in-house team. A CAS team should take a deep dive into your organization's back office. The data and insights tell a story that will help inform your decisions and drive your business forward. This relationship should be structured around continuous collaboration and the ability to bring in complementary teams to assist your organization efficiently, leaving no surprises and offering clear and open communication so everyone is on the same page.

An understanding and recognition that each situation, each business, is unique increases everyone's chances of success. A business' needs, strengths, and challenges are specific to the organization, and aligning with the right people, processes, and technology is paramount.

Client Advisory Services

Client Advisory Services (CAS) offers businesses comprehensive accounting, financial, and advisory services to address day-to-day accounting needs.

Learn more

Maximizing Value

5 considerations prior to going public

Swami Venkat
Partner,
CFO Advisory Leader

For high-growth companies that are attractive to investors and willing to make the investment, the journey to public company readiness may be worth it.

Accessing private capital or debt can be a challenging and long-drawn-out process. The public market promises cheaper access to capital, and the liquidity of the stock offers strong growth opportunities, both organic and inorganic.

It is important to remember that the path to accessing the capital markets is also complex and time-consuming. It takes a lot of planning, teamwork, project management, and execution, from a cross-functional group of both internal and external parties. But for high-growth companies that are attractive to investors and willing to make the investment, the journey to public company readiness may be worth it.

Here are five key factors and components to consider.

Want more insights on the IPO process? Access our webinar, available on demand.

01

Your best path to the public markets

Companies go public for a variety of reasons, and these reasons should be used to determine which path to the public markets might suit the company best: A traditional initial public offering (IPO), a SPAC (special purpose acquisition company) merger, or through a direct listing.

- The **traditional IPO** is still the way to go for mature and profitable companies looking to raise capital to continue their growth trajectory.
- **Direct listing** may be beneficial for companies that are not looking for capital infusion, but rather looking at the listing as a liquidity event for existing shareholders.
- The more recent vogue, the **SPAC merger**, is also best suited for companies looking for a capital raise through a private investment in public equity (PIPE). Given the lack of success of some recent SPAC mergers, however, companies continue to face strong headwinds in raising PIPE.

02

Governance

Companies seeking to go public may need to decide early as to the stock exchange where they plan on listing. While there are similarities between the **NASDAQ** and the **NYSE**, there are some key differences that companies need to understand and consider when making their listing choices. While it is best practice to have an internal audit/risk management function, given the Sarbanes-Oxley requirements, the NASDAQ capital markets does not mandate companies to have an internal audit function, unlike under NYSE, where it is a mandated requirement. The NASDAQ also provides for certain exceptions related to corporate governance guidelines, disclosure of basis of independent director determination, and posting of various committee charters on the company's website.

03

Finance, accounting, and reporting

One of the biggest lifts in the transition journey is the step up from private company audit to the Public Company Accounting Oversight Board (PCAOB) audit, which is required for companies seeking access to the U.S. capital markets. U.S. generally accepted accounting principles (GAAP), International Financial Reporting Standards (IFRS), and SEC reporting can be complex, dynamic, and time-consuming. Formal accounting position papers to memorialize accounting conclusions may be required to meet the public company reporting requirements, along with updated financial statements and disclosures. Companies should likely consider augmenting their in-house resources with external specialists.

To encourage more companies to access the capital markets, the SEC allows the option of filing as **an emerging growth company (EGC),** a status that provides certain relief from the standard set of reporting requirements, assuming the company meets certain criteria. One of the benefits of filing as an EGC is that newly listed public companies can make a policy election to adopt new accounting standards at the timeline prescribed for private entities. However, it is important to make adequate disclosures regarding the deferred election in the registration statements. An EGC can also file confidentially with one year's worth of financials for the initial review in certain limited circumstances, to be updated with the subsequent year's audited financial statements and any stub periods prior to the public filing of the registration statements. EGCs are also only required to file audited financial statements for two years, as opposed to three years for non-EGCs. Companies interested in ECG status should consult SEC specialists and general counsel to make certain that they are making the right interpretations of the rules.

04

Finance and information technology (IT)

Life as a public company requires timely and accurate reporting. There are strict deadlines for filing the financial statements and other material events, and when those deadlines are not met, cease trading or delisting could occur. To withstand the rigors of the reporting requirements, companies need to optimize and harmonize their operating model, consisting of people, process, technology, and data.

- **People** uplift could include adding internal or external expertise across SEC reporting, U.S. GAAP, financial planning and analysis (FP&A), corporate taxes, and investor reporting.
- **Technology stack** optimization would need to consider current and future growth, including zeroing on the enterprise resource planning (ERP) system, close automation packages, FP&A solutions, and SEC reporting tools.
- **IT infrastructure** optimization requires review of IT operations spanning from software development lifecycle (SDLC), change management, logical access, vendor management, and job operations to business continuity planning and disaster recovery (BCP & DR).

All these need to be considered holistically. Performing an end-to-end finance assessment with technology and IT operations components would go a long way in understanding the current state and developing an optimization implementation road map.

05

Compliance

Public companies are responsible for a multitude of reporting requirements. Beyond the demands of their board members, committees, and charters, there are various other current and evolving compliance requirements. Public companies need to comply with **Sarbanes-Oxley regulations**, requiring an assessment of the effectiveness of the internal controls over financial reporting; in some cases, certain companies may also require an auditor's attestation of their internal controls based on their revenues and public float. **Requirements related to cybersecurity risk management, strategy, and governance** continue to evolve. Companies need to get ahead of the curve by performing a comprehensive assessment of the various requirements to evaluate their timetable for compliance. This in turn could assist in laying out their road map for transition from private to public.

Overall

While there are many benefits to being a public company, it comes with enormous responsibilities. The key is to develop systems, processes, and controls that can effectively assist in identifying material transactions, supporting proper recording and disclosures to facilitate timely and accurate reporting. The tone needs to start at the top – everyone from the board to the C-Suite to the rank and file needs to understand the duties, responsibilities, challenges, and ramifications for noncompliance with reporting requirements. In summary, a successful listing to the capital markets is not an end, but a means to an end, and the journey only continues from there.

Maximizing Value

Driving value via sustainability

Jenny Brusgul
Sustainability Advisory Practice Leader

Sustainability initiatives have the potential to drive tangible shareholder value via a variety of mechanisms across a wide domain.

ESG has been scrutinized by a variety of sources for a host of reasons. Yet corporate leaders overwhelmingly remain committed to their environmental, social, and governance (ESG) initiatives. Leaders are staying the course because sustainability initiatives create value.

Investment in sustainability isn't just about protecting value. It should be expected to increase shareholder value, or at least positively impact the drivers of shareholder value, such as improved margins or reduced cost of capital. The ability to measure and track sustainability practices is key to quantifying the value and monetizing the benefits of sustainability investments. Companies can prioritize investments that influence the drivers that contribute the most to shareholder value.

Top- and bottom-line growth

Revenue growth accelerates when products and services align to customer values. Customers become more loyal, increasing willingness to pay and reducing churn. Market share is protected against competitors by meeting the sustainability demands of customers. Similarly, companies catering to the needs of their customers can gain a first mover advantage. For example, a supplier may be competing with its peers to provide a sustainable packaging solution to a large manufacturer. If that supplier can create the sustainable solution first, it may have a first mover advantage and disrupt its peers out of that value chain.

Sustainability initiatives provide numerous avenues for operating margin expansion. Labor becomes more efficient in a growth-with-purpose culture, with greater employee productivity, satisfaction, and retention. Cost savings can also be realized from lower hiring and onboarding costs, as it is also easier to attract world-class talent when your values align with those of prospective employees.

Production efficiencies result from reduced waste and usage of natural resources. While tracking electricity, water, and waste data has not been "the normal course of business" like tracking sales, customers, and labor cost, it is not dissimilar from the insights that can be obtained from analyzing financial data. When you gain a better understanding of your energy use across your portfolio of assets, you can home in on locations that incur the highest costs and consider energy efficiencies or redirecting activity to lower-cost areas. Similarly, when analyzing revenue by customer, you want to allocate your best-performing sales team to target those customers that have potential to spend more. An often-overlooked sustainability benefit is earned media from positive coverage of sustainability initiatives, which in turn can lower customer acquisition cost.

When you're able to monetize the benefits of sustainability practices and link them to revenue and cost drivers, ultimately improving profit margins, sustainability investments increase shareholder value.

Value protection and value creation

Understanding the impact of climate risk on not only physical infrastructure but also your supply chain is an imperative to protecting value. Mitigating those risks can help reduce insurance costs and prevent stranded assets, thereby avoiding write-offs, devaluations, or conversion to liabilities that negatively impact shareholder value. Making investments in decarbonized assets or more sustainable fuel types can increase your return on investment. For example, investors are underwriting at least 10 to 25 basis points lower in capitalization rates for buildings that have sustainability-focused investments. Green buildings use less energy, emit less carbon dioxide, and use less water – measures that will protect the building from legislative fines and obsolescence.

Sustainable financing driving shareholder value

Companies are now being evaluated on their ESG ratings in addition to credit and debt ratings. Having strong sustainability practices can increase your ESG rating, opening doors to purpose-driven investors and access to more efficient capital, such as sustainability-linked loans at better than market rates.

Tax credits, incentives, and tax-advantaged financing are long-standing benefits that can be leveraged to offset sustainability investments, which can significantly improve cash flows. Investments in renewable energy, energy efficiency measures, and zero emissions transportation often qualify for tax credits and incentives.

As emitting carbon becomes an increasing risk to society on a global scale, over 40 countries and 20 cities have implemented a **carbon tax** or emissions trading system since 2019. The number continues to rise. Additionally, the cost of carbon credits continues to rise year over year. It's yet to be seen whether the voluntary carbon market can overcome the recent scrutiny and reputational issues; however, high-quality and verifiable carbon removal projects can leverage carbon credits as a financing mechanism. As stated in **BloombergNEF's Long-Term Carbon Offsets Outlook 2024 report,** "There is no shortage of governments and investors that are eager to monetize emissions reductions through carbon credits and channel financing towards projects."

More than just a compliance exercise

The perception remains that ESG imposes a financial burden hampering value creation; or more charitably, an exercise in compliance. In fact, sustainability initiatives have the potential to drive tangible shareholder value via a variety of mechanisms across a wide domain. By tracking and measuring the right data, monetizing the benefits, and linking them to the drivers of shareholder value, sustainability practices and investments lead value creation.

Sustainability Advisory

CohnReznick uses proven, integrated methodology to advance your ESG initiatives.

Learn more

Risk Management

Stress-testing and validating incident response plans

David Sun
Principal, Cybersecurity

Testing and validation are pivotal aspects of incident response preparedness.

In cybersecurity, incident response plans are as standard as pre-flight safety instructions. You are reminded of the key steps and your role before each flight, but their practicality only becomes evident when something unexpected occurs. Most organizations, especially those more experienced, have diligently implemented incident response plans. However, a crucial gap lingers: How many of these plans have undergone rigorous testing and validation?

Often, the first real test an incident response plan faces is during a breach or a ransomware shutdown – and that's when organizations realize their methods may not work as designed.

Testing and validation are pivotal aspects of incident response preparedness. Like fire drills, routine testing of incident response plans helps build muscle memory among your response team, enabling them to act swiftly and efficiently when an actual incident occurs.

Read on for key strategies for effectively testing your incident response plan.

Quick recap: Critical components of an incident response plan

Before diving into the intricacies of testing and validating, check that your incident response plan has all the critical components of such a plan in place. These components – following the **National Institute of Standards and Technology's (NIST) four-phase approach** – lay the foundation for an effective response:

- **Preparation:** This initial phase is key to effective incident response. It includes, among other actions: establishing responsibilities and objectives; understanding, prioritizing, and mitigating threats; understanding baseline/normal operations and behavior; and training and equipping employees to respond to incidents. Public companies should also develop processes for assessing incident materiality and disclosing as needed, per the **SEC's new incident reporting guidelines.**

- **Detection and Analysis:** This phase involves recognizing, categorizing, and analyzing incidents, ranging from security breaches to data leaks or system outages.
- **Containment, Eradication, and Recovery:** The next step is to isolate affected systems to prevent further damage or compromise, then eliminate vulnerabilities and neutralize the threat's root cause. Additionally, this phase involves restoring systems and services to regular operation, often with enhanced security measures to prevent future incidents.
- **Post-Incident Activity:** This final phase helps prepare the organization to respond to future incidents. Complete an incident report with lessons learned; review attacks, responses, and metrics; and identify improvements.

Tabletop exercises

Tabletop exercises serve as a cornerstone of incident response testing. They come in two distinct types:

- **Technical tabletop exercises:** Focusing on the IT department, these exercises primarily involve IT management, incident response teams, and senior system administrators, making sure they understand their roles and responsibilities in system management and operations.
- **Executive tabletop exercises:** These exercises extend beyond the IT department to involve the participation of all key executives within the organization, offering a high-level test of the organization's preparedness.

A proactive approach suggests conducting at least one of each type annually, essentially performing two tabletop exercises per year.

Some organizations take it further by conducting quarterly tabletop exercises, alternating between technical and executive scenarios. This frequency allows organizations to consistently refine their incident response plans, strengthening readiness for any situation.

Red team penetration testing

Red teaming is not just about simulating an attack on your organization; it's about mimicking the tactics and techniques that real adversaries might employ, and thus testing your safeguards against the actions of skilled, determined attackers. The key differentiator of red teaming is that it's done without your IT department's prior knowledge, resulting in a more genuine and unbiased assessment of your security posture. Consider three key factors to test:

- **Infiltration testing:** This test evaluates your organization's ability to repel an infiltration attempt, assessing whether an attacker can breach your defenses, gain unauthorized access, and move laterally within your network undetected.
- **Recognition of an attack:** This angle examines your IT department's ability to recognize an ongoing attack, with the goal of strengthening prevention and early detection.

> We see cyber risks in the headlines daily, and those threats are not going away any time soon. Companies must face this head on.
>
> ***Kristen Soles***

- **Forensic evidence preservation:** This third aspect – the one that many organizations have yet to fully explore – involves the simulated forensic analysis of an attack. Legal compliance is one of the most compelling reasons for integrating forensic evidence preservation into incident response testing: Meeting legal obligations becomes complex if you cannot forensically determine which records were exfiltrated during a breach. Proper preservation of forensics allows organizations to ascertain precisely which documents were accessed, exfiltrated, or compromised.

Involve executives and board members

Prompt responses from the CEO and CFO are critical during simulated events. Engaging executives and board members from the outset, requiring their active participation in incident response training, and keeping them informed will help expedite an actual incident response and make sure that it meets regulatory requirements, such as the SEC's new incident reporting guidelines for public companies.

In conclusion

Much like pre-flight safety instructions, incident response plans are essential, but their effectiveness only becomes evident when tested. Proactive testing is the key to resilience in the face of an inevitable cyber incident. Routine testing like tabletop exercises and red team penetration testing helps make your incident response plan as instinctive as knowing how to use an oxygen mask when cabin pressure drops – potentially saving your organization from disaster.

Cybersecurity Services

CohnReznick takes a strategic approach in protecting your data assets, intellectual property, and brand reputation.

Learn more

Risk Management

Cyber governance for boards

Bhavesh Vadhani
Principal, Global Leader, Cybersecurity, Technology Risk, and Privacy

Competently overseeing cybersecurity risk and management is now a fiduciary duty of care, requiring both proactive and reactive disclosures.

If a great majority of today's corporate assets are digital and nearly 100% are managed and protected by digital systems, let's agree our corporate world is, well, digital. And if AI-driven bots are indiscriminately and exceedingly successful at compromising these digital systems, let's agree that cybersecurity risk is therefore our most formidable and ubiquitous risk.

It makes sense. All our assets are vulnerable to the AI-supercharged efforts of threat actors using sophisticated tradecraft to wreak havoc on our digital assets and the systems that host them. Get to our systems and data and you can bring the organization to its knees.

That's why **the SEC considers the disclosure of material cybersecurity risks** – and how management and the board evaluate risks and oversee the cybersecurity program – as critical to the investment decisions made by investors. That's also why cyber incidents must now be disclosed within four days after they are determined to be material.

This two-sided view of cyber risk, requiring both proactive and reactive disclosures, elevates cybersecurity governance from the Office of the CISO right into the laps of management and the board. It forces companies to align the forward-looking material risks they disclose in annual reports, 10-Ks, and 10-Qs with how they disclose material incidents in 8-Ks, because SEC enforcement actions can bite from both sides.

If, say, a material supply chain cyber risk was not disclosed to investors, and that risk turned out to be the root cause of a material breach, the SEC will want to understand if a risk that was exploited by threat actors should have been disclosed.

SEC cybersecurity compliance now requires alignment of risk and incident disclosure, a documented process for establishing materiality, and effective disclosure controls.

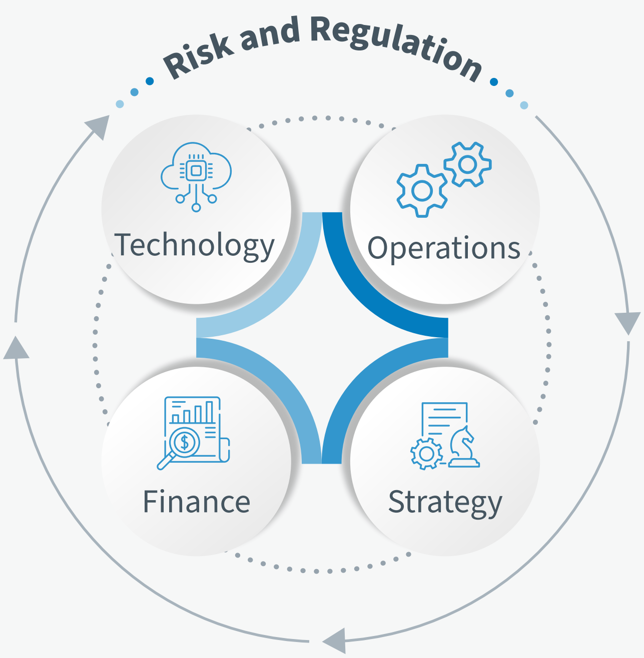
All of this means that cybersecurity governance has ascended from a "technical" endeavor to a board governance imperative. Competently overseeing cybersecurity risk and management is now a fiduciary duty of care. It expands the number of those who will be named in post-breach lawsuits. And it probably will compel smart CISOs to demand to be named as insured on the company's D&O insurance policy as a threshold personal risk management requirement.

If they are to effectively govern cyber risk, boards should seriously consider adding to their cyber knowledge quotient by filling the next opening with a cyber-conversant member, as well as engaging a third-party advisor that is independent from consultants used by the management team. Companies should model an independent relationship between the CISO and the board risk management committee after that same unfettered relationship between the CFO and the audit committee. And companies should better train board members in the basics of cybersecurity to evidence that they take seriously that cybersecurity risk is the most consequential to board members' fundamental responsibility as stewards of company assets.

Learn more about **what boards should be doing in the face of today's cyber threats and mandates**, and contact our team for more information on how to get started.

The Business Maturity Cycle

Successful businesses maintain a comprehensive plan to navigate business maturity. Each stage presents unique opportunities to maximize value through transformation and automation, to maximize profitability and cost recovery – and to create resiliency to preserve value.



Risk Management

Maximizing value with GRC technologies

Yvette Connor
Principal, Risk Advisory Practice Leader

Mike Pankey
Director, Risk Advisory

Governance, risk, and compliance tools that automate manual steps allow for quicker reporting, analysis, and response to risk threats.

Modern organizations are competing for business in a marketplace undergoing rapid and disruptive technology changes. As such, businesses are reaching for technology-driven methods and tools to help deliver data-driven insights to reliably inform key leadership decisions, including strategic planning. When designed and matched to business use cases, these methods and tools can be used to help reduce or eliminate unwanted surprises (“risk”), improve governance and reporting, create early warning systems, and improve business process controls. “Knowledge is power” takes on a new twist in today’s marketplace. Business leaders must actively consider how to identify, prioritize, and implement technology that can deliver improved business results and reporting, including governance, risk, and compliance outcomes.

The ‘data scatter’ challenge

Today’s business reality is that many enterprises suffer from “data scatter”: their data is spread throughout the organization, across many stakeholders, and not easily linked or matched by one tool or aggregated by business need (i.e., a business use case). As such, internal departments may be limited in their ability to timely, accurately, and/or easily respond to various risk and internal audit processes otherwise imperative to the organizational governance and oversight (i.e., The Institute of Internal Auditors’ (IIA) **Three Lines Model**). When the data scatter problem festers, businesses begin to experience inefficiencies and blind spots, which in turn leads to ongoing risks to financial and operational performance, regulatory compliance, and so on.

Data scatter challenges and potential impacts include:

1. Material blind spots may occur when data is not leveraged holistically across the organization to identify and assess risks and controls matched to critical business processes. This translates through to increased threats to business goals and objectives that may not be timely identified or escalated.
2. Technology tools are not integrated, or a technology tool has critical work flow dependencies on other systems, leading to constraints in how tools do or do not work together as planned.
3. Scatter also tends to impair organizational reporting, in particular reliability and credibility – but more foundationally, it may impair an organization’s ability to aggregate, estimate, and predict potential future outcomes (adverse or otherwise), such as, what is our exposure, and how can we make better strategic decisions based on risk and return estimates?

How GRC technologies can help smooth the path forward

Leading organizations have shifted to **more proactive risk management and oversight through governance, risk, and compliance (GRC) tools** that are built to automate manual steps, allowing for faster reporting, analysis, and response to risk threats. These systems perform both business processes and compliance activities within the same workflows, and in the best cases function entirely within one complete system. A well-thought-out strategy is needed to determine the better path forward with potential system integration(s), or consolidation and over-dependency on a singular, critical system without adequate redundancy or roll-back measures.

What is driving the changes to GRC strategies and solutioning?

- Artificial intelligence (AI) capabilities
- A strong correlation between performance management and risk management
- Changing regulatory requirements

AI

Investments in more advanced risk management solutions can bring leaders and their organizations better peace of mind, allowing them to prioritize their efforts on remediation and resolution instead of research and investigation.

New AI-powered GRC solutions are driving risk management programs of the future. These tools can scan multiple sources of information and continuously be tuned to adjust tolerance thresholds and potential financial exposure and impact. AI's ability to drill down to the source or root causes of issues in a matter of seconds is driving efficiencies in research that could have previously taken days to navigate.

New AI capabilities within GRC and risk management tools with embedded or API-connected AI models offer faster, more sophisticated analytics, immediate monitoring, and more thorough risk evaluations to mitigate threats, support compliance, and bolster operational performance.

Risk management = Performance management

There is no line between risk and performance. Risks have the potential to impact performance, and once a risk is realized, you're now in triage or remediation mode.

Senior leaders sometimes have difficulty sharing information about risk indicators and performance metrics across teams, for various reasons. It could be culturally driven, information system/technology or licensing constraints, or even just a lack of awareness of what data is being captured across the organization.

The latter example also requires resources with the skill sets to model and draw correlations across "big" datasets. Developing these linkages across business and external datasets is the best way to extract value out of trends, quantify exposure, and move from reactive to proactive risk management.

If culture and internal politics are your main challenge, a well-articulated business case and collaboration driven from the top should help resolve these hurdles.

Regulatory requirements

The financial services and life sciences industries have been the driving force behind many regulatory requirements, aimed at protecting customers and the banking systems themselves from collapse. Over time these have evolved from higher-level security requirements to more detailed control requirements, stringent privacy tracking/disclosures, and now operational resilience, planning, and ESG (environmental, social, governance) reporting.

Some companies that operate outside of the financial services and life sciences spaces might still be subject to certain requirements, depending on who their customers are and what types of personal information they collect. This includes CCPA (California Consumer Privacy Act), NYDFS (Division of Financial Services) and other state-level privacy regulations, and the EU's DORA (Digital Operational Resilience Act), which includes third-party technology service providers that support financial services companies and banks.

Below is a brief outline of some recent financial service regulatory publications that organizations (and their vendors) will need to adopt and report on. A well-thought-out GRC technology and reporting strategy should not only drive internal efficiencies and more value-driven insights, but also meet your compliance needs.

DORA (2025)

- Implement an overall risk management program and governance.
- Maintain an established incident response program and associated reporting.
- Implement an operational resilience testing program.
- Implement and conduct third-party risk assessments and monitoring.

NYDFS (2023 and 2024): Registrants must...

- As part of third-party due diligence, evaluate whether third parties' cybersecurity practices are sufficient, and require that a minimum set of cybersecurity controls be met before doing business.
- Implement periodic reviews of third parties' control environment and performance.
- Establish policies and procedures to implement contractual protections, such as MFA (multifactor authentication), data encryption, breach notification, and representations and warranties of their cybersecurity practices.
- Restrict use of commonly used passwords.

SEC (2022 and 2023)

- Release immediate cybersecurity disclosures in the event of a material breach (within four days of the incident in the Form 8-K).
- Develop and implement a cybersecurity risk management plan and strategy.
- For "investment advisers," conduct due diligence and monitoring of service providers.

Where to begin

To start to realize the benefits of quantitative models and AI, tackle the issue of "data scatter," and become more predictive and proactive with your risk management programs, start with identifying your key company objectives and current challenges. Next, review your existing and recently procured technologies and your data availability to understand your current abilities. When developing new capabilities or augmenting current ones, build with future needs in mind, and how you can increase the value and insights that Risk and Compliance teams deliver.

Work with Finance and Procurement to (potentially) centralize technology use, and with the Security and Privacy teams to see where key risk and performance data resides, if not already inventoried. All of this should be summarized in a strategy and plan to execute over a 2-5 year period.

Over time you'll want to:

1. Enhance strategic decisioning based on risk and exposure estimations.
2. Map out critical business services products, and processes with system, technology, and vendor dependencies to help better identify emerging risks.
3. Quantify the cost savings achieved by limiting risk (taking into account disruptions, litigation, fines, etc.).

4. Implement visuals and dashboards across your organization to give you a "single pane of glass" visibility, bringing risk and performance information together from multiple sources, with custom views by department and level.
5. Implement data and change management procedures.
6. Mature and educate your employees.

All the above will help you and senior leadership enhance your decision-making based on integrated risk and performance data.

How CohnReznick can help

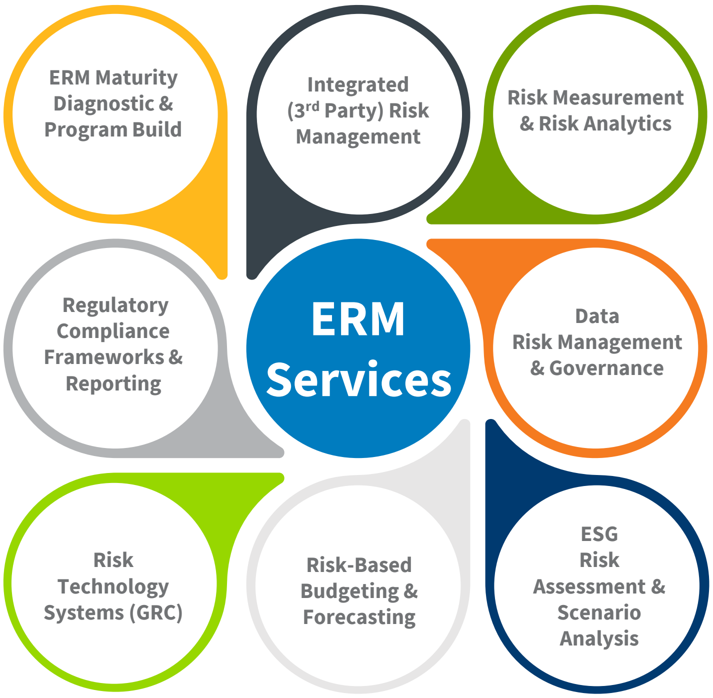
CohnReznick can help kickstart your initiatives with a strategy and plan for your organization, existing technologies, and data availability.

If you're already ahead in some areas, we can meet you on your risk and performance management journey. We are widely recognized for tackling tough risk questions and delivering integrated systems and risk models with actionable insights to quantify and reduce volatility, protecting your investments.

Enterprise Risk Management

Leveraging a multidisciplinary team of experienced risk management advisors, CohnReznick helps clients embrace and implement risk management processes in their culture and business model.

Learn more



Risk Management

The impact of the new Global Internal Audit Standards

Daniel Fornelius
Director, Risk Advisory

George Gallinger
Principal, Risk Advisory

The IIA's new Global Internal Audit Standards provide a significant opportunity to enhance internal audit's value within your organization.

The Institute of Internal Auditors' (IIA) new Global Internal Audit Standards, released in January 2024, provide a modernized and comprehensive framework for internal audit functions to implement that will drive positive transformation within the organization. The transition to the new Global Internal Audit Standards signifies a significant opportunity for organizations to adjust to rapidly evolving business environments, technological advancements, and emerging risks.

While the new Standards emphasize performance and continuous improvement in addition to conformance, CAEs and internal audit functions as a whole need to understand what is changing, the shifts that will need to take place, and what steps need to be taken this year, prior to adoption in January 2025.

A modernized framework and taxonomy

The elements of the IIA's current International Professional Practices Framework (IPPF) have been restructured in a new modernized framework comprising five domains, 15 principles, and 52 standards. The new standards are more prescriptive in nature and provide a framework and taxonomy that enables agility, risk-focused methodologies, and enhancing Internal Audit's strategic alignment with the organization. Each standard now includes requirements, considerations for implementation, and considerations for evidencing conformance, replacing the information contained in the current implementation guides and practice advisories.

Download comparison of Standards

Key takeaways of the new standards

While companies operate at different levels of maturity with respect to corporate governance and risk management, it is critical for an internal audit function to be able to rapidly respond to changing risk landscapes. The new Standards provide internal auditors with clear guidance and an increased level of agility related to executing their role within an organization. It will be crucial to understand the changes incorporated into the new Standards, the go-forward expectations related to how your internal audit function will need to operate, and the level of effort required to reshape your internal audit function.

Below are several key takeaways related to the new Global IA Standards.

1. Define the value of internal audit within an organization

The purpose of internal auditing has been revised to state that "Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight," the new Standards state. This includes Internal Audit helping organizations accomplish their objectives "by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes," as written in the Glossary definition of the function.

The new Standards enable Internal Audit and its stakeholders to understand and express the significance of internal auditing within the organization. For example:

- An internal audit mandate is now required within the organization's internal audit charter, which must reflect Internal Audit's role, responsibility, and authority levels, as well as stakeholders' expectations of the internal audit function.
- The new Standards highlight the importance of the internal audit function to build relationships with the first and second lines of defense, its external auditors, as well as any other external assurance providers. Internal Audit should engage in meaningful collaboration with these stakeholders to promote effective governance and communication.
- The Code of Ethics has been refined to evolve with stronger ethical practices, clearer guidelines on conflicts of interest, and evolving professional standards of internal auditing.

2. Implement a formal internal audit strategy and performance measurement methodology

Internal Audit must develop an internal audit strategy and performance measurement methodology, and report periodically to the board. While incorporating an internal audit strategy is not a new practice, this is now a requirement under the new Standards. It will require a close focus between Internal Audit and the board to tailor performance metrics and monitor progress against strategy, while promoting continuous improvement of the internal audit function.

3. Innovate and maximize the use of technology

The Standards facilitate Internal Audit to have a defined digital strategy to support the evolution of the internal audit function's mission, objectives, and value to the organization. While not a new concept, the utilization of technology goes well beyond utilizing core analytics to support the delivery of audits and assessments.

Technology should be used comprehensively through various tools, techniques, and platforms to enhance the efficiency, effectiveness, and value of internal audit processes and operations. Some examples of technologies and tools to be considered include:

Audit delivery

- Governance, risk, and compliance (GRC) technology automation
- Workflow automation
- Data analytics and fraud detection
- Continuous monitoring and exception alerting
- AI and machine learning
- Cybersecurity

Audit operations

- Collaboration platforms
- Project management
- Human resource allocation
- Training and skills development
- Remote audit tools
- Document management

4. Enhance value through quality

The new Standards bring forth a transformative approach around elevating Internal Audit's value through enhanced quality. Several quality standards have been refined to be more prescriptive; key changes to underscore this commitment include:

- **Evaluation of Findings** – When developing conclusions around a particular topical area or subject matter, internal audit functions are now required (no longer optional) to determine the significance of the risk when reporting an issue by including a rating, ranking, or other indication of significance or priority.
- **Quality Assurance** – The requirements around an organization's Quality Assurance and Improvement Program (QAIP) have been elevated. Programs should now include:
  - Assessments around the internal audit function's contribution to the organization's governance, risk, and control processes
  - Evidence of QAIP documentation to demonstrate an effective program
  - Assessing progress toward identified success factors and performance objectives through key performance indicators
  - Continuous monitoring of any corrective actions
- **External Quality Assessments** – The new Standards require at least one member of the Quality Assurance Review (QAR) team to hold an active Certified Internal Auditor (CIA) designation.

How to respond to the new standards (What organizations should be considering)

The updated Standards bring the need for thoughtful consideration by the internal audit function and concerted collaboration with the board, senior management, the first and second lines of defense, and other key stakeholders. Consider the following steps to assess, plan, and implement the Standards efficiently and effectively.

1. Perform a readiness assessment by reviewing the new Standards and determining the extent of change needed.
2. Communicate the impact of changes with the board and key stakeholders. This may require training and/or facilitated workshops.
3. Consider accelerating the timing of an external quality assessment to measure conformance to the Standards, identify gaps, and recommend actions required for implementation. This will assist with validating the size of the conformance gap.
4. Review current capabilities with respect to technology, audit methodology, and resources to determine level of effort needed to effectively implement to the new Standards.
5. Update quality assurance programs to address future conformance with the new Standards and changes needed to current methodology.
6. Develop an internal audit implementation plan to include new opportunities, priorities for change, technology changes, response to future topical requirements, and the corresponding dependencies and investment.

Approach for external quality assessments

Because an external quality assessment over a company's internal audit function and its conformance to the Standards is required at least once every five years, organizations can choose (highly recommended) to undergo an assessment in 2024 as scheduled under the current Standards, while identifying the changes needed to comply with the new Standards.

If not, quality assessments conducted in 2025 will be subject to a new Quality Assessment Manual, which is anticipated to be published later in 2024 and provide direction on consideration of the new Standards.

In conclusion

The new Standards provide significant transformative changes for internal audit functions to consider while capitalizing on new avenues for growth, innovation, and value creation within organizations. Internal audit functions may require additional resources and expertise to bridge the gap between the current and new Standards. CAEs and boards should consider leveraging external resources to help bridge any identified gaps and transition to an internal audit co-sourcing model. Adopting innovative and collaborative approaches will help elevate the value of your internal audit function, amplify the positive impact that Internal Audit has within the organization related to overall risk management activities, and create greater board and stakeholder confidence in strategic decision-making.

Internal Audit Services

CohnReznick helps organizations develop an entity-wide risk-aware culture that maximizes effectiveness of existing processes, control environments, and compliance activities to decrease the likelihood of disruptions and increase stakeholder confidence.

Learn more

Modernizing Business

Accelerating value with AI: Align your digital and business strategies

Shawn Gilronan
Principal, Digital Advisory
Practice Leader

Stephen Mancini
Director, Digital Advisory

AI readiness focuses on optimizing four key capabilities – People, Processes, Data, and Technology. To succeed, all must be informed by a strategic, digitally focused approach. Are your digital and business strategies heading in the same direction?

AI is alluring. A shiny object with a silicone sheen, it offers a promise to catalyze growth like never before. As the buzz around AI grows louder everywhere from news articles to earnings calls, adopting the landmark technology seems to be a strategic imperative for any market-leading organization. But before you start incorporating AI, you must understand how exactly it can benefit your business before it can propel you toward your goals.

That starts with understanding your business.

AI is a tool that informs your aims. Lack of clarity on where you're going clouds AI's ability to get you there. So, to get the most value out of AI, your digital strategy must align with your overall business strategy.

This alignment serves as a foundation for growing capabilities across your business: people, processes, data, and technology. Leveraged correctly, AI can drive unique value in each.

Preparing your organization to drive AI value

When it comes to the value that you can derive from AI, there are two aspects: value created and value preserved. In both cases, preparation and a strategic approach are essential.

Creating value with AI

For most businesses, AI creates value predominantly in the form of improved decision-making and increased efficiencies, with potential to optimize anywhere from administrative offices to assembly lines.

Take, for example, the 80/20 rule of imbalanced efforts and impacts (also known as the Pareto principle). Employees might spend 80% of their time aggregating and scrubbing data, but only 20% working with it.

AI flips that equation, handling most of the data tasks with only minimal human support, and reducing human error. This enables employees to focus 80% of their time on working with the data – uncovering insights and leading to better-informed decisions.

Preserving value with AI

AI's rapid evolution makes it important to continuously monitor its future possibilities, because those possibilities mean future value for your organization. While that value is value created, you can preserve value by positioning yourself today to evolve along with the technology.

Understanding and self-awareness empower you to leverage AI such that it best utilizes your resources. From the perspective of developing your digital strategy, ask yourself:

- How does my company's technology landscape compare to my competitors'? Is it modern? Where is maturation needed to stay competitive?
- Does my company have the people, processes, skills, and predilection to move with agility to take advantage of future-state AI opportunities? What technology enhancements should be made today to build the foundational structure needed to modernize my company quickly via AI adoption and stay competitive?

Steps to a strong AI strategy

Value creation starts at the top

Every part of your organization can benefit from implementing AI properly. But how can you secure buy-in from every stakeholder? And where do you need to focus?

Just as company leadership as a whole needs to understand the overall organization prior to implementing AI, individual leaders throughout the organization must understand AI as it relates to their specific responsibilities. Focus especially on the following:

- **Top leadership**
  - The **CEO** at a minimum, plus the CFO and the CIO
  - **Other C-level leaders** based on your organization's use cases (e.g., COO for production-related matters)
  - **Departmental leadership** as needed based on use cases and affected departments
- **Legal and compliance** for their industry-specific regulatory awareness, plus perspective on AI's ethical ramifications
- **IT** not only for the heavy lifting of implementation, but also to make sure that AI is purpose-built

The importance of individually understanding AI

For all these audiences, the first step is to demystify AI. Help them understand the unique value it offers them. This demands diving into details and relies on strong relationships.

- How can AI enhance the outcomes of your team members' daily responsibilities, allowing more time for "passion projects" and value-added activities?
- How can it alleviate operational pain points and optimize processes?
- Are their goals out of reach – or out of time? Could AI be the accelerant they need?

Many tech solutions today already have AI features embedded, which puts basic capabilities within reach – if your company knows how and why to take advantage of those features, and is prepared to train and upskill on their uses and outputs.

By helping key players understand how AI can make their jobs better, you can transform "Why should I adopt AI?" into "How could I not?"

Leading the value conversation

Before having these vital conversations, consider who should lead them. The answer to that lies in identifying the use cases that your organization needs.

Consider implementing an **innovation committee** for AI, tasked with use case development, identification, and vetting, and, eventually, monitoring and assessing effectiveness. Innovation committees can help ensure that use cases add the right value to individual departments and the overall organization.

Invest in the right investments

To both create and preserve the maximum value from your technology landscape, you will need a defined digital strategy to make sure that digital initiatives align to and enable broader business strategy realization. Consider the investments needed to optimize **people** structures and capabilities; defined, standardized **processes**; **data** collection and analysis; and **technology** infrastructure. We will explore each of these topics in future articles – **subscribe now** to make sure you don't miss them – but as a start, ask yourself:

- Do I have the "right skilled" team to unlock the value AI holds? If not, is the best choice to upskill my existing team, or to identify and leverage additional support?
- Is my operational model mature enough to adopt AI capabilities? Are processes standardized, and can I measure process effectiveness?
- Where does data live within my business ecosystem? Is it fit, and can it be easily accessed and leveraged to empower accurate insights?

To achieve success, define success

Success looks different for every business, and can even look different for every division within a business. It's critical to define early on what it will look like for you: Increased customer satisfaction, reduced turnover, a bolstered bottom line?

Identifying success in clear, KPI terms, with both qualitative and quantitative metrics, gives you a clear destination for charting your course. And once you know what success looks like, you can confirm that your AI efforts are aligned along that trajectory, achieving the desired ROI, and course-correct if needed.

The value equation

Too many organizations adopt a "build it and they will come" approach to AI, believing it to be an off-the-shelf value generator. But critical forethought is necessary in order to see results.

There's little doubt that AI will continue to disrupt and transform business as we know it. Its potential for top-line revenue and EBITDA increases – when approached correctly – are unlike anything the business world has seen.

But to make the most of the value that AI offers, leaders must dedicate careful time and attention to aligning their digital strategy with that of their overall business. Aligned in that way, AI can lead to untapped value.

Checklist: Questions to ask before implementing AI

- ☐ Are our processes **auditable**, and can we maintain auditability with AI?
- ☐ Do we have enough **data** (structured or not) to use with an AI model?
  - ☐ Have we centralized our data and eliminated silos?
  - ☐ Do we understand how our data should flow?
  - ☐ Have we been deliberate in architecting and collecting the right data?
  - ☐ Do we have a way of confirming the quality of incoming data?
  - ☐ Will we be able to manage data privacy and confidentiality?
- ☐ Do we understand the cybersecurity, ethical, compliance, and operational **risks** of AI? Is there a strategy to manage those risks for implementation?
- ☐ What checks and safeguards do we have against **bias and/or hallucination**?
- ☐ What **business goals and outcomes** do we believe AI can accelerate and deliver?
- ☐ Is there a **recovery plan** in case of an AI-related breach of compliance?
- ☐ Do we have the right **culture** for AI adoption?
  - ☐ Are there internal champions who will support implementation?
  - ☐ Will we invest in AI-related training and education?
  - ☐ Where do we anticipate there to be resistance?
- ☐ How much are we willing to **spend** on AI tools and platforms?
- ☐ How many hours are we willing to spend on AI **governance** activities?
- ☐ How will we manage implementation/migration **without interrupting** business as usual?
- ☐ Do the **benefits** of AI outweigh the drawbacks for us right now?

Digital Advisory

Our team helps organizations identify and mobilize people, processes, technology, and strategy needed to best manage their information, support their long-term goals, and gain competitive advantage.

Learn more

Modernizing Business
Finance function automation

Kane Polakoff
Principal, Practice Leader,
Client Advisory Services (CAS)

Unlock the power of finance and accounting automation to maximize efficiency, mitigate risk, and accelerate growth. Discover the 10 key benefits.

Many of the biggest business challenges – technology, talent, operations, risk, and growth – continue to grow in complexity. With the continuous innovation of technology solutions and new players entering the market, finding the right tools to support your business operations based on your industry, size, and specific needs is imperative to achieving long-term success.

There are tools available to automate and organize your processes and procedures, such as accounts payable and receivable, 1099 reporting, payroll processing, reporting, and sales and use tax reporting. The benefits of automation are vast, but it can be difficult to assess and prioritize the various use cases for those that would add the most value based on your company's needs.

Benefits we've seen companies experience by implementing finance and accounting automation tools include:

1. **Increased productivity**. Using technology to automate repetitive and time-consuming tasks allows for faster completion of deliverables, unlocking time to work on more value-added tasks and drive higher productivity. As an example, the use of optical character recognition (OCR) built within an accounts payable workflow solution will increase productivity and transparency for the accounts payable process.
2. **Cost management.** Integrating automation tools to complete tasks accurately and consistently, in alignment with your current processes, can lead to lower operational and personnel costs and therefore increased profitability. For example, using a close management tool integrated with a quality assurance tool can help standardize and reduce the amount of time to complete month-end tasks.
3. **Improved quality.** Standardized processes can minimize the risks of human error and improve the quality of outputs as the work is done in a repeatable way according to predefined standards. Leveraging system lookup and data validation through a point solution tool can help minimize manual data entry errors.
4. **Time for strategic initiatives.** Tasks requiring precision such as data entry and complex calculations can be automated, freeing up resources to focus on tasks requiring

creative thought, problem-solving, and client service. When you increase automation through the transactional level by reducing keystrokes and various lookups, you can have your staff spend more time on value-added tasks versus being heads-down on data entry.

5. **Scalable processes.** Automating standard processes enables you to scale your business for increased workloads without increasing staff. These tools can grow with you, giving you the ability to upgrade to other platforms or integrate additional applications with minimal disruption. It is important to look for a technology stack that is flexible and scalable to your business. A robust general ledger system will enable you to support your business as you grow and become more complex.
6. **Financial insights.** Budgeting and forecasting tools not only help you stay on track but also enable you to gain insights into near-future performance, in real time. This allows your organization to pivot, collaborate, and adjust resources that support a service or product showing unexpected success or decline. There are many budgeting and forecasting tools that are affordable and provide simple integrations with your general ledger.
7. **Response time.** Automated tools operate on a global scale and run 24/7, enabling continuous processes and services essential for tasks requiring constant monitoring or quick response times. When selecting a technology stack, leverage a cloud-based system that your teams can easily access securely from across the globe.
8. **Risk mitigation.** Automation can significantly decrease risks as it follows standard processes and security protocols that are created with your risk profile and governance needs in mind. You will want to make sure that the tools you use are properly vetted from a security and compliance perspective.
9. **Product development.** By automating time-consuming processes, teams can redirect their focus to projects that require innovation and creativity, leading to the development of new products and services to grow your business. There is a renaissance of new products and tools being introduced to the finance function. Identify a team within your practice to evaluate and assess the latest technologies to determine which may be the right fit for your organization.
10. **Technology investment.** Cloud-based technology can save you money by virtualizing your hardware. It can decrease or eliminate the costs of servers, data centers, and networking resources by relocating them to the cloud.

A key strength is knowing when and where to apply automation tools, and where to limit new technologies due to cost/benefit analysis and prioritization. Having an open and transparent conversation with your company's technology and business unit leaders about your options and recommendations will help drive agreement on the right decision for your organization.

Modernizing Business
ERP implementation success

Shawn Flowers
Principal, Digital Advisory

Having a clear road map for ERP implementation can make the process significantly less daunting.

Having a clear road map for ERP implementation can make the process significantly less daunting. While each ERP journey is different, most organizations that have successfully undergone this transformation pass through the following nine checkpoints.

01
Have a champion.

Successful ERP implementation – and the post-implementation process – requires sustained commitment throughout the enterprise. Having a C-level champion will help ensure that the undertaking receives the long-term attention it needs.

02
Communicate and educate.

Major company initiatives almost always are accompanied by uncertainty and speculation that can coalesce into speed bumps and roadblocks. This particularly can be the case with ERP implementation, which calls for a new approach to how work is done across the organization. Proactively counter skepticism and resistance with transparency and education to build buy-in.

03
Allocate adequate support resources.

An ERP implementation isn't simply a large IT project – it requires functions throughout the organization to closely examine their processes and how those processes can be improved or adapted in the new ERP. As the various elements of company workflow are developed on the ERP platform, they must be subjected to iterative testing and feedback by the people who will be using them. Free up the time and energy needed for these important tasks by bringing in temporary staff or redistributing workload to handle routine operational matters.

04
Build implementation teams with depth and breadth.

The heavy upfront work of ERP implementation takes place in the teams assigned to examine the workflow and processes of the various functions. Make sure that the teams include a wide range of perspectives and that there is a team for each function that has a part in operations and back-office support.

05
Monitor involvement.

In the crush of client engagements, it's easy for testing ERP modules and providing feedback to be relegated to the back burner. Measuring and publicizing how each team is progressing with these tasks keeps them high on everyone's agenda.

06
Celebrate wins as they happen.

An operational ERP platform is composed of a network of individual elements. When a process that, for example, streamlines invoicing and eliminates the need for manual double entry has been finalized, communicate that milestone across the organization. Don't make people wait until launch to see the fruits of their labors.

07
Customize your rollout strategy.

ERP rollout schedules can be as flexible as the ERP platform itself. Rollout can be staggered across functions and scheduled at any point in the calendar. Structure the rollout to fit the workflow cycles of the individual organization.

08
Don't stop at the finish line.

As important a benchmark as a successful ERP implementation may be, it is only a baseline for further improvement. The months after implementation provide additional experience and data points that should be translated into ongoing performance gains.

09
Upgrade your culture.

Replacing ad hoc processes with an ERP system represents a higher level of sophistication and professionalization in how the company conducts its business. Management should use this opportunity to re-examine the firm's culture and brand to make sure they reflect the elevated standards that have been embraced.

ERP Solutions

The CohnReznick ERP implementation team helps balance ERP implementation with the demands of running a business – and then conducts post-implementation follow-through.

Learn more

Modernizing Business

How future-forward CFOs can drive success

Swami Venkat
Partner, CFO Advisory Leader

Kim Clark Pakstys
Managing Director,
CFO Advisory

Adaptability isn't just an industry buzzword; it's a non-negotiable survival skill.

In the world of finance, adaptability isn't just an industry buzzword; it's a non-negotiable survival skill. Now more than ever, CFOs find themselves under constant pressure to spearhead transformative initiatives within their organizations. This goes beyond the traditional notions of cost control and technological advancements, demanding a complete assessment of finance operations to make sure they are equipped to remain relevant in an environment where the common denominator is change, and move with the times.

Yet, a fundamental truth: In order to successfully navigate transitions, companies must still prioritize core principles while embracing the latest innovation. Though technology, automation, and cybersecurity take center stage, organizations must stay grounded in who they are to know where they want to go. **According to U.S. Bank**, 56% of finance leaders say they struggle to balance cost-cutting and investment in future growth.

Here, we delve into the essential components of finance transformation, examining how forward-thinking organizations can leverage innovation to drive growth, manage risks, and seize new opportunities.

Understand your current state

Amid the whirlwind of change, one principle remains steadfast: the imperative of understanding the current state of your business. While tools and methodologies may evolve, the fundamental importance of grasping the organization's present realities, strengths, vulnerabilities, opportunities, and threats remains unchanged.

As technology reshapes traditional finance practices and introduces new possibilities, the ability to assess the current state becomes even more critical. By harnessing data analytics, AI-driven insights, and automation tools, finance leaders can gain deeper visibility into their operations, identify optimization opportunities, and make informed strategic decisions. This timeless insight serves as the bedrock upon which successful finance transformation is built, enabling organizations to proactively navigate the complexities of change with confidence and flexibility.

Within the change management process itself, focusing on key metrics and outcomes during and after implementation is imperative. Real-time monitoring allows prompt identification of bottlenecks and deviations from expected results, enabling swift corrective action. Meticulously scrutinizing budgeted versus actual costs and post-change efficiencies provides valuable insights into initiatives' success and improvement areas.

Secure stakeholder buy-in

Resistance to change is deeply ingrained in human nature, making stakeholder buy-in critical during organizational transitions. Those managing day-to-day operations must grasp the reasons behind upcoming changes and how they will benefit individuals and the organization. Thus, establishing a robust Change Management Protocol extends beyond technological adjustments to include thorough psychological preparation. Psychological readiness is essential; individuals must be mentally prepared to implement changes. Fostering a culture of open communication, empathy, and support enables organizations to facilitate smoother transitions and enhance success in optimization efforts.

Many times, change management focuses on how to use a new technology or process, yet changes in roles or communication cadence may be the more difficult ones to adopt. It is important to consider changes from the stakeholder and company culture perspectives to incorporate tools to help everyone adapt and adopt the new ways of doing business and understand how the changes improve the business. Be sure to celebrate learning and change adoption milestones during the transition phase.

Be data-driven and data-ready

In this uncertain environment, it is imperative that CFOs have ready and efficient access to accurate, timely, meaningful data and insights. This means not only the standard financial reporting packages, but also impactful flash reports, dashboards, metrics, and information that informs decision-making and provides insights into the health of the business. As stated earlier, adaptability is key, and CFOs need to have a pulse on business operations in order to tell the story and guide colleagues, stakeholders, investors, bankers, the CEO, and the board through distractions, disruptions, transactions, transitions, and other important decisions.

Advanced capabilities, processes, technologies, and tools enable the adoption and use of predictive analytics that enhance the CFO's role in strategic decision-making, risk management, and driving business growth, ultimately positioning the finance department as a more proactive and strategic unit within the organization.

Encourage financial evolution and strategy

The role of CFOs has evolved significantly, transitioning from traditional record-keeping and reporting of historical numbers to strategic leadership and real-time reporting. This shift has become particularly pronounced amid the changes and challenges resulting from COVID-19, where the demand for real-time accounting insights has become paramount. CFOs now prioritize outsourcing routine tasks to empower their teams to focus on strategic contributions to the finance function. Achieving real-time reporting requires operational adjustments, including data cleanup and governance, harmonizing the technology stack, reducing manual interfaces, and automating workflows and tasks. By emphasizing agility, efficiency, and data integrity, CFOs drive a fundamental change in finance operations. As a result, CFOs have transformed into strategic advisors, steering organizations through a landscape shaped by technology and innovation.

Walk before you run

Amid trends toward increasingly advanced technologies, it's crucial to exercise caution. A company should not seek to jump to a Level 5 maturity state from a Level 1 state; side-stepping maturity levels can do more harm than good. Growth is a process and an evolution. It is not a question of how fast one can get there. Rather it should be more about building a strong foundation and determining the optimal way to get there, which may not necessarily be the fastest way.

Prioritize fixing broken systems and optimizing processes. Always start with process optimization or transformation; automating a bad process generates inaccurate data faster. Build a strong foundation with best-in-class processes and invest in rightsized or scalable technologies that enable your business objectives. Doing this helps solve for process efficiency, improved controls, and enhanced reporting.

Rather than chasing the newest trends, focus on building enduring foundations that will stand the test of time, driving sustained value and supporting evolving technologies. Then, once any underlying needs have been addressed, start delving into AI and automation. This approach fosters a culture of sustainable growth and cultivates a culture of continuous improvement.

How we can help

Ultimately, transparency and candid dialogue about successes and failures will be key to sustained growth across the finance community. Through these shared experiences, all participants can glean invaluable lessons, fortifying resilience and propelling this critical function toward future success.

> The office of the CFO has tremendous potential to shape and steer business strategy. Historically, the back office has been seen as the keeper of the books and source of financial reporting. That role has evolved to become more hands-on and predictive. We're seeing significant strides and opportunity to incorporate both outsourcing and AI to streamline processes. Not only can the back office and accounting department operate more efficiently with a few upgrades, they can also drive decision-making in real time and support the enterprise strategy.
>
> ***Kristen Soles***

The C-Suite Dashboard

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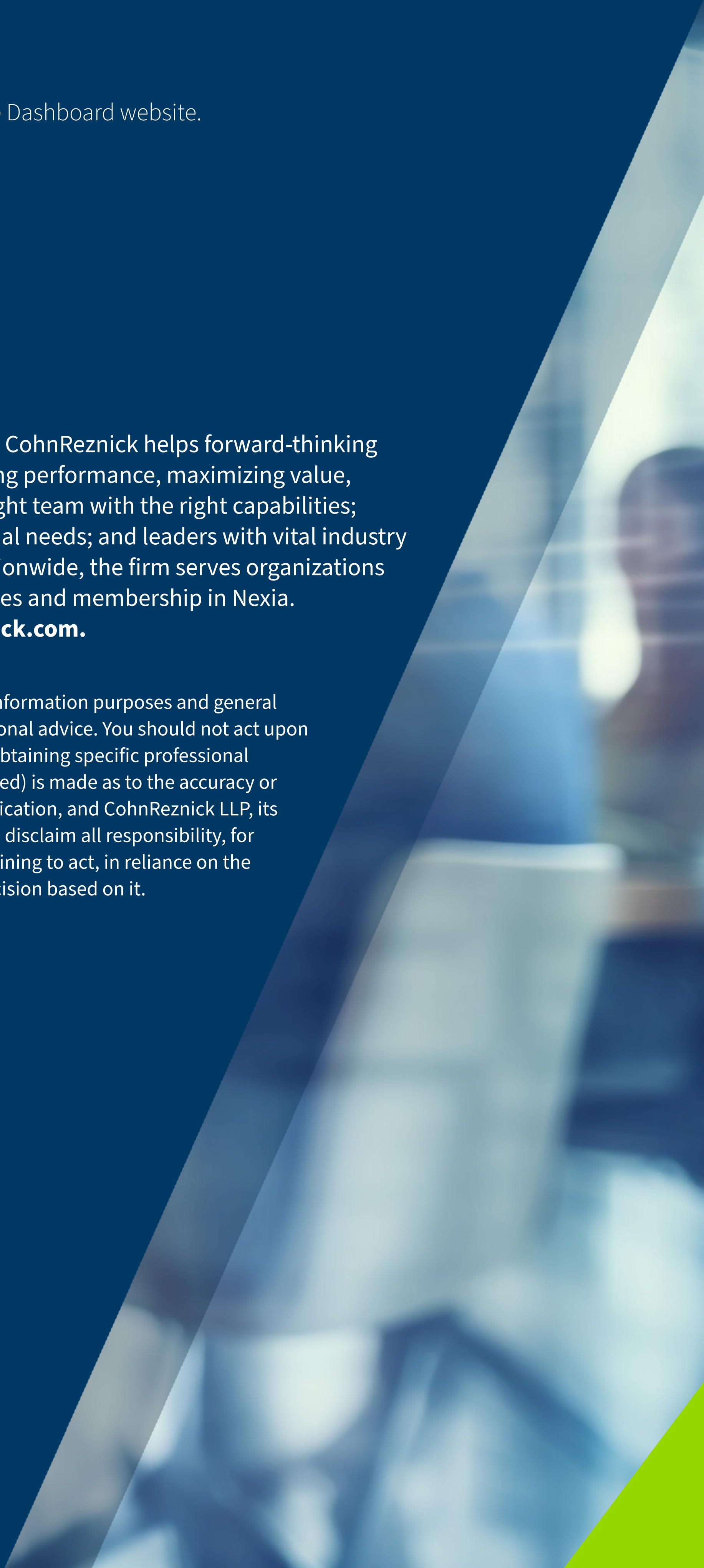

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