Tom Hoover, Senior Manager
of Finance Systems, eBay, Inc.

eBay Wins Bid for Improved Financial Close

BlackLine Systems OnDemand Solution Provides Global Visibility into Account Reconciliations

by **Ken Murphy**, Senior Writer

Every second, more than $2,100 worth of items are sold on eBay, accounting for nearly $70 billion in transactions generated each year. eBay, Inc.'s position as a global commerce giant is fortified by another roughly $100 billion in commerce enabled by its other brands, such as eBay enterprise, PayPal, Bill Me Later, and StubHub.

For eBay, facilitating such an extraordinarily high volume of commerce creates a whirlwind of financial dealings with vendors, merchants, and advertisers. eBay has more than 100 legal entities around the world, including multiple entities in many countries of operation, and the corporation must reconcile hundreds of balance sheet accounts for each of them.

At a Glance

Goal: eBay wanted to automate its financial close processes in line with its rapid growth and global financial operations

Strategy: Integrated its SAP ERP system with BlackLine Systems' Account Reconciliations, Journal Entry, and Task Management modules

Outcome: Removed several days from the financial close, achieved greater visibility into close processes and reconciliations, and improved auditing controls

With a few exceptions, eBay strives for a single instance of SAP ERP for global visibility into its financial picture. However, an intricate system of accounts complicated its month-end financial close resulting in a process that could take up to 10 days. A major reason for this extended cycle was that the company relied on a mostly manual, paper-based account reconciliation system — with employees repeatedly tracking down supporting documents in three-ring binders, making copies, and then re-filing.

Tom Hoover, Senior Manager of Finance Systems at eBay, recalls a lot of running around by everyone in accounting. "Because of the nature of our business, we often get requests for documentation that goes back several years," he says. "So our people in accounting would have to go to off-site storage centers to hunt down the documents. It was very labor-intensive."

When supporting documentation was required for several different legal entities, it set off rounds of phone calls and emails to track down and file the necessary paperwork. Language barriers, time differences, and planned or unplanned days off all contributed to potential hold-ups. A 24-hour lag time was built into the financial close cycle to account for these inefficiencies, but couldn't prevent some open-ended accounts due mainly to the sheer number of accounting teams across the globe.

"There were lots of logistics to consider just in getting the information," Hoover says. "It was especially difficult for the controllers who had to sign off on the accounts without having all the information centralized in one place." This, in turn, made finalizing manual month-end checklists a very reactive process. If required documentation was late, someone had to manually hunt that information down. eBay's consistent growth made this manual-based system untenable. Just shy of 20 years after founder Pierre Omidyar opened eBay's doors by auctioning a broken laser printer for $14.83, the organization had more than 10,000 accounts to reconcile each month, with roughly 1,600 of those identified as key for auditing purposes. "We were reaching a tipping point where we knew we needed to modernize and start thinking smarter," says Hoover.

A New Phase in Finance

After a discovery phase where eBay identified several inefficiencies in its global financial close processes, the business sought a vendor that could help with the modernization effort. That search quickly identified longtime SAP partner (and now provider of the only SAP-endorsed business solution in the financial close space) BlackLine Systems as the best option to deliver the accounting functionality needed. eBay chose BlackLine in part because of its seamless integration with SAP ERP Financials, and implemented the Journal Entry, Task Management, and Account Reconciliations modules, going live with all three simultaneously with little to no customization. Initially, eBay contracted with BlackLine's Premier Hosting service, which offered eBay access to a dedicated server. Upon implementation, BlackLine was processing approximately 10,000 account reconciliations, 17,000 journal entries, and what had been 7,000 manual-based tasks.

Though the implementation was virtually hassle-free, an early and expected challenge was bringing the hundreds of eBay employees who would be using the new technology up to speed with how it works and interfaces with SAP ERP. To aid with training, as well as to create a traceable audit trail, eBay used BlackLine functionality to designate specific users as either system or local administrators. eBay then trained the administrators in its various legal entities around the world, who in turn trained their direct reports.

This training, according to Hoover, was considerably easy. "I administer multiple financial systems, and by far, the fewest number of questions I receive involve BlackLine," he says. "There may have been a few questions when we first went live, but not today, so the overall training wasn't a burden at all." Also helpful was the video and web-based training BlackLine now offers OnDemand customers through "BlackLine U" — an online training tool that administers, documents, tracks, and provides reporting for corporate training programs and content. (For more information about BlackLine Systems, refer to the sidebar at the end of the article.)
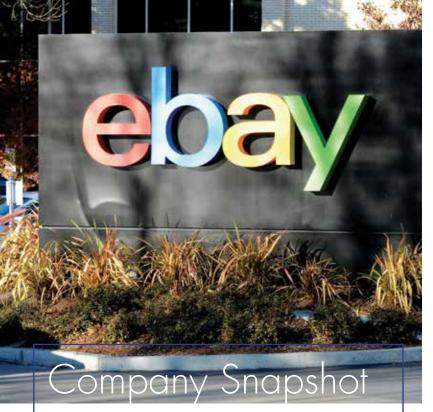
Moving to the Cloud

In early 2013, with a goal of driving additional efficiencies, eBay made the switch to BlackLine's preferred OnDemand

"We were reaching a tipping point where we knew we needed to modernize and start thinking smarter."

— **Tom Hoover**, Senior Manager of Finance Systems, eBay

software-as-a-service (SaaS) platform from the hosted version. Hoover admits that the organization resisted switching to the cloud-based platform at first because it enjoyed the attention it received on the Premier Hosting model, and the company associated the hosted version with the trust it developed in BlackLine over the course of the project. "Over time, we realized that we were always about a half version behind, with OnDemand customers always on the latest version before we were," he says.

Prior to migrating platforms, eBay had taken steps to transfer and consolidate the accounting operations for its repeatable, non-critical reconciliations to a single shared services center in India. While centralizing these accounting functions created efficiencies, there was some sense of controllers losing a bit of visibility into their local accounts. This became a non-issue when eBay transitioned to BlackLine's cloud model. "It was a seamless move for us because we didn't lose any of the visibility; it was just being done somewhere else. And with BlackLine's OnDemand, web-based system, we had visibility into it all the way through the entire process," Hoover says.

With key reconciliations processed in one of three major regions serving its legal entities — Europe, Asia, and North America — the multi-language and multi-currency functionality within BlackLine were important as well. Throughout the transition, eBay had local administrators on-hand in each of these regions and India, but, in the end, there was constant global visibility through the BlackLine system.

Running a Tight Financial Ship

This improved visibility from having an always up-to-date snapshot of account reconciliations or tasks enables a larger benefit: Namely, better organization of financial processes at the enterprise level. According to Hoover, employees are benefiting by something as simple as now being able to check on progress by logging into the BlackLine system from home.

"A lot of times in the paper-based world, you'd go home and forget something at work. In our new environment where everything can be pulled off the Internet, you can upload an email, a PDF, or any of the documentation you need, and it's all in one place," he says. "Now if someone has a question, you can refer them to the account in question in BlackLine without having to pull a document and send it to them. Even without administrative access to prepare or approve tasks or reconciliations, anyone can view them to get the information they need."

In a nutshell, the new landscape means much less running around. "As far as reconciliations and accounting functions were concerned, BlackLine took care of that in one stop. It was palpable," Hoover says. "I sit next to the accounting department, and it was easy to get a sense of the efficiencies gained with BlackLine."

eBay's financial close cycle is now three days, which allows auditors and tax preparers to begin and complete their tasks in a shortened window because incomplete reconciliations are nonexistent. The business has streamlined its auditing processes with the auditor self-service capability in the BlackLine system, whereby eBay can assign permission to auditors to log into the system directly. With up to roughly 40 or so active audit accounts inside of BlackLine at a time, the increased visibility into account reconciliations allows those auditors to find what they need without having to rely on eBay's dedicated resources. This holds true for Sarbanes-Oxley (SOX) compliance as well. In the past, eBay had to set aside resources to work with SOX compliance teams to ensure the needed reconciliations were complete. Today, an interface proactively sends over a list of the reconciled accounts directly to those SOX teams based on rules and alerts set up by administrators in the BlackLine system. Likewise, anyone (with the required access permissions) interested in a specific reconciliation can simply filter a BlackLine report for unassigned reconciliations to keep tabs on the reconciliation in question.

Moving Forward

About three years ago, coinciding with eBay's upgrade to SAP ERP 7.0 and the functionality for the new general ledger, the organization made the decision to use SAP NetWeaver Business Warehouse (SAP NetWeaver BW) as the database for financial reporting, and built an interface that allowed for the constant moving of data directly to the financial teams that needed it.

However, just as steady company growth made eBay's one-time manual-based financial close process obsolete, so too did it put pressure on the database retrieval system. Hoover estimates eBay runs roughly 20 million records each month through its SAP systems.

To better handle this influx, eBay went live with SAP NetWeaver BW powered by SAP HANA in October. "SAP HANA will help us get everyone on one reporting platform," Hoover says. "We can much more efficiently deal with data on all fronts. From an IT perspective, it's faster so we can move data around more quickly to get results to users faster. And from a user's perspective, everything is accessible in one place, rather than having to mine everything separately." ∎