

Case Study

How LKQ Corporation Reduced Its Days to Close While Executing Over 100 Acquisitions

Due to an aggressive acquisition strategy, LKQ Corporation struggled with a lack of standardization and visibility across its high-volume transactions, balance sheet reconciliation and close management processes.

“The main factor that was driving our need to automate was our massive expansion in such a short period of time – not just in our market shares, but also in the products that we were selling and the lines of businesses that we were operating under,” said Janice Dailey, Accounting Senior II, Financial Systems Support at LKQ Corporation. Due to all the acquisitions, LKQ Corporation lacked the necessary consistency and standardization around how things were being managed, recorded, and reconciled.

“We had about 50 to 60 staff accountants all operating as separate business units with separate processes and different financial close schedules,” continued Dailey. “We didn’t have a standardized process to provide us the visibility and insight to feel confident that our balance sheet was correct.” Close tasks were managed across 25 separate Excel spreadsheets with no consolidated way to verify if all reconciliations were complete.

In addition, evidence of review was maintained within Excel and email.

In preparation of their aggressive acquisition strategy, LKQ Corporation consolidated 5 accounting centers into a financial shared service center in Nashville, TN in 2010 and decided to look for an automated solution.



In Brief:

Challenges:

- Aggressive acquisition strategy led to difficulty managing high-volume transactions, balance sheet reconciliations, and close management processes across all entities due to a lack of standardization and visibility, as well as the inability to properly store and manage documentation

Objectives:

- Achieve one, global standardized financial close process to provide high quality, timely information that drives key decision making, reduce monthly close to 7 or less business days and continue to absorb acquisitions with minimal headcount growth

Return on Investment:

- Standardized high-volume transactions, balance sheet reconciliations, and close tasks across all entities, reduced the close process timeline by 2 business days, and executed over 100 acquisitions without additional headcount

Financial Transformation Goal

“The main objective for us was to implement one standardized process across the business so that everyone would operate on the same financial close schedule,” said Dailey. “We needed to have quality information in a timely manner for decision making and analysis, and we needed to ensure that we had visibility into the status and completion of our balance sheet reconciliations.”

LKQ Corporation executed **129 acquisitions** from 2012 – 2018, growing annual revenues **3,711%** from **\$328M to \$12.5B**



Requirements for a Solution

- Paperless
- Provide overall management of reconciliations
- Ability to handle cash and other high-volume transactions
- Provide standardized templates
- Ability to accommodate multiple ledgers and data sources

LKQ Corporation decided to purchase ReconNET™ by Trintech to automate daily cash reconciliations and Cadency® by Trintech to standardize its balance sheet reconciliation and close processes, automate as many reconciliations as possible and gain real-time visibility into the tracking and reporting of those reconciliations.

Key Objectives:

- Reduce monthly close timeline to 7 or less business days
- Absorb acquisitions with minimal headcount growth
- Ensure timely, accurate and consistent balance sheet reconciliations
- Provide high quality, timely information to the organization to aid in analysis and decision making



“The key focus for us was to look for a solution that would allow us to be able to have that level of confidence that all the balance sheet accounts are being reviewed and would give us visibility into how they are being managed”

Janice Dailey
Accounting Senior II,
Financial Systems Support
at LKQ Corporation

Solution in Action

“I think one of the main reasons why we were so successful in the implementation process was because we took the time to review our current processes prior to implementing technology,” continued Dailey. “We understood from the beginning that if we didn’t take the time to evaluate those processes prior to implementing technology, we would only be doing that bad process faster. Evaluating those processes and looking for where we could gain additional efficiencies and create greater standardization across the different lines of business was critical to our successful implementation.”

LKQ Corporation deployed ReconNET to automate its depository, credit card, and disbursement accounts. “Anyone who operates with cash knows that if you have fraud going on and you don’t find it within that 10-day period, you’re probably not going to get it recovered,” said Dailey. “With ReconNET, we have the visibility to identify problems and issues and track different KPIs that help us identify any fraud and fix it before it’s too late.” **LKQ Corporation currently reconciles about \$97M worth of cash over 202 different reconciliations through ReconNET. 70% of its cash transactions are auto reconciled in ReconNET between zero and two days.**

LKQ Corporation deployed Cadency Reconciliation Certify and Close to manage and automate its balance sheet reconciliations and close management tasks.

Today, **LKQ Corporation manages 21,775 reconciliations within Cadency and utilizes a risk-based approach to drive reconciliation schedules.**

“With Cadency, we are able to categorize reconciliations by risk through ‘critical risk-rating,’” said Dailey. “So, for some of the accounts that don’t need to be looked at as

frequently, we have taken those out of the high-volume periods such as quarter-end. We have even moved some accounts to be semi-annual. We have a lot of flexibility on how we look at the data within the solution and managing it.” **Of the 21,000+ reconciliations, LKQ Corporation currently auto-reconciles 13,000 of those based on parameters they have established within Cadency.**

Once LKQ Corporation standardized and automated its high-volume transactions and balance sheet reconciliations, they started looking at the solution to determine where they could gain additional value.

“The next area of focus for us was intercompany reconciliations,” said Dailey. “Today, we are loading about

100,000+ records and auto-reconcile over 90% of those intercompany reconciliations, which has been a significant win for us.”

As of December 2020, **LKQ Corporation had 3,550 close tasks operating within Cadency Close.** “We use Cadency Close to get full visibility into where we are at in the financial close process, not just during the 7-day close cycle but throughout the month,” continued Dailey. “We have tasks that are scheduled weekly, monthly, quarterly, semi-annually, and annually – it is a fully integrated process for us, and we use it globally.”



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Janice Dailey
Accounting Senior II,
Financial Systems Support
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“With Cadency Close, we’re able to not only see what we’re doing, but also what bottlenecks are preventing items from moving forward. Overall, our end users can now spend more time analyzing the data instead of manually managing it,” said Dailey. With a focus on continuous innovation and improvement, LKQ Corporation is working towards reducing the days to close by another 2 days to a total of 5 business days.

Since implementing ReconNET and Cadency, LKQ Corporation has achieved the following benefits:

- Reduced the days to close by 2 business days (from 9 to 7 days)
- Reduced Cash Specialist headcount by nearly 50%
- Grew revenues 3,711% and kept headcount at Financial Shared Services Center flat
- 90% auto-reconciliation provides ability to quickly identify and resolve issues
- Full confidence in timely and accurate information
- Ability to reconcile by types of transactions between specific lines of business
- Intercompany nets to zero almost every month and ability to provide transaction-level detail of variances

About LKQ Corporation

LKQ Corporation (Nasdaq: LKQ), a Fortune 500 company, is North America’s largest provider of alternative collision auto parts, and a leading provider of recycled and remanufactured mechanical parts including engines and transmissions, all in connection with the repair of automobiles and other vehicles. LKQ operates more than 570 facilities in North America, Europe and Taiwan, offering its customers a broad range of replacement systems, components, equipment, and parts to repair and accessorize automobiles, trucks, recreational and performance vehicles. Since its formation in 1998, LKQ has grown through internal development and over 170 acquisitions.

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