Steps to Accelerate the Financial Close

Companies Can Save Time and Reduce Risk

VENTANA RESEARCH

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Introduction

Closing the financial books within a week of the monthly or quarterly reporting period is a sound business practice. But benchmark research conducted by Ventana Research reveals that at least half of companies can't do it.

A slow close is costly. It wastes resources and squanders opportunities. In many organizations it is caused by inefficient processes and inadequate technology, often in large measure due to a reliance on spreadsheets.

Companies that are determined to maintain their competitive edge are accelerating their close by eliminating their risky reliance on spreadsheets and automating processes using dedicated technology.

A Slow Close Wastes Resources

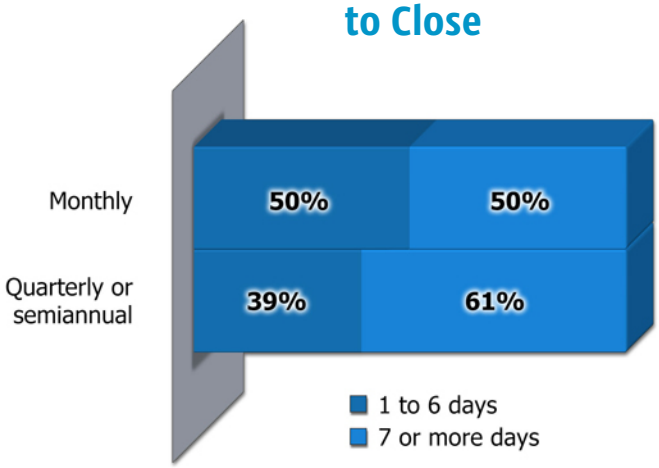
Businesses should be able to complete their close in a week. But research shows that **only half of businesses are able to close their monthly books within five or six business days.** And just 39% can do so for their quarterly or semiannual close.

A fast close matters:

- Companies get more time to analyze results.
- Executives and managers obtain vital information sooner.
- Finance department personnel are freed for other activities.
- Overtime and related costs can be cut or eliminated.

Takeaway: Companies have a problem if it takes longer than five or six days to close – and it will only get worse unless they make a change.

Taking Too Long to Close



Using Spreadsheets is Risky

More than half of larger companies recognize that using spreadsheets in the close process – especially consolidations – introduces risk,

specifically through:

- Diminished financial control
- Increased risk of restatement
- Compliance failures

Spreadsheets don't provide audit trails, which can substantially increase the ability of internal and external auditors to spot fraud while cutting the time required for audits. Spreadsheets lack the automated process controls that ensure all necessary steps are followed. They can't manage the sign-offs that confirm that the numbers are correct and processes have been complied with.

Takeaway: Consolidating with spreadsheets has hidden costs. It's time-consuming, can be more expensive to audit and increases financial and reputational risks.

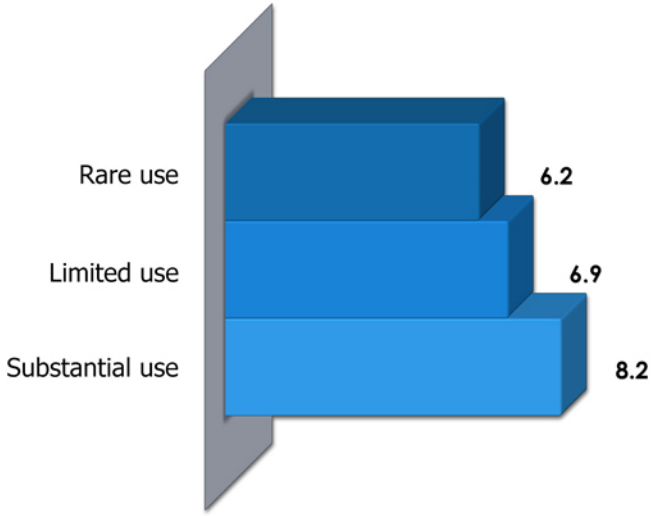
Spreadsheets Are Time-Consuming

The research finds a correlation between spreadsheet use and how long it takes companies to complete a periodic close.

Companies that use spreadsheets extensively average 8.2 days for their quarterly close, compared to 6.9 days for those that limit spreadsheet use and 6.2 days for companies that use spreadsheets only for complex calculations or one-time events.

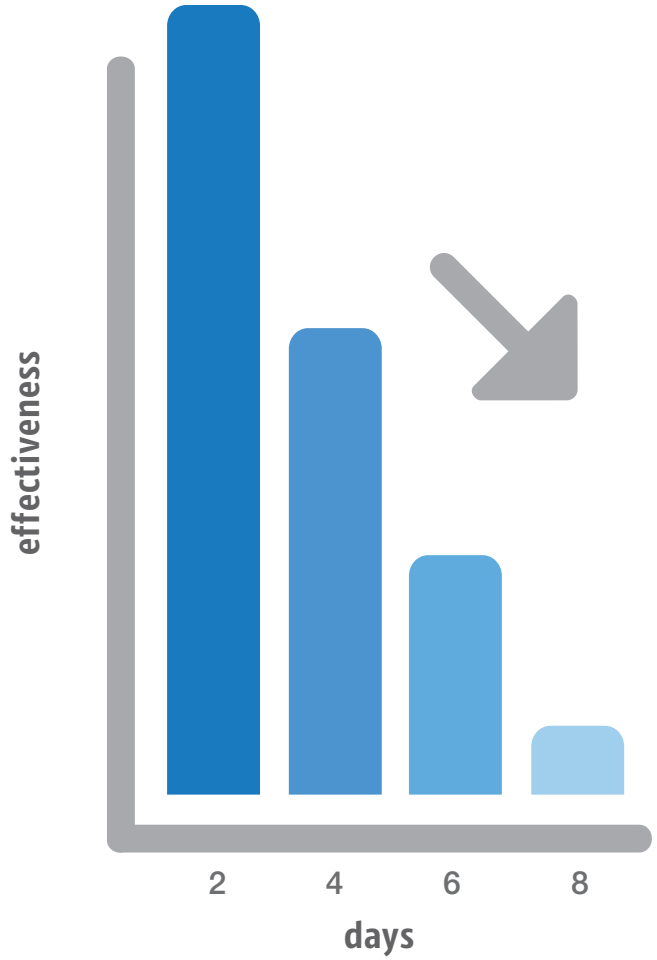
This time can be better spent by executives and analysts. Shortening the close lets companies review performance sooner and respond to change faster. Analysts have more time to understand conditions and contingencies. Executives have more time to explore options using real data.

Days to Close Using Spreadsheets



Takeaway: Close faster by limiting or eliminating spreadsheet use in consolidations.

Closing Fast Is a Measure of Effectiveness



You can tell a lot about how well a finance organization is run by the time it takes to close its books. One company will close in two days while an almost identical company will close in eight. The main difference usually is process management and software. Spreadsheets in particular undermine effectiveness. These issues are interrelated:

Using better technology often leads to improvements in consolidation and closing.

Takeaway: A well-managed finance organization closes faster.

Dedicated Consolidation Systems are Better

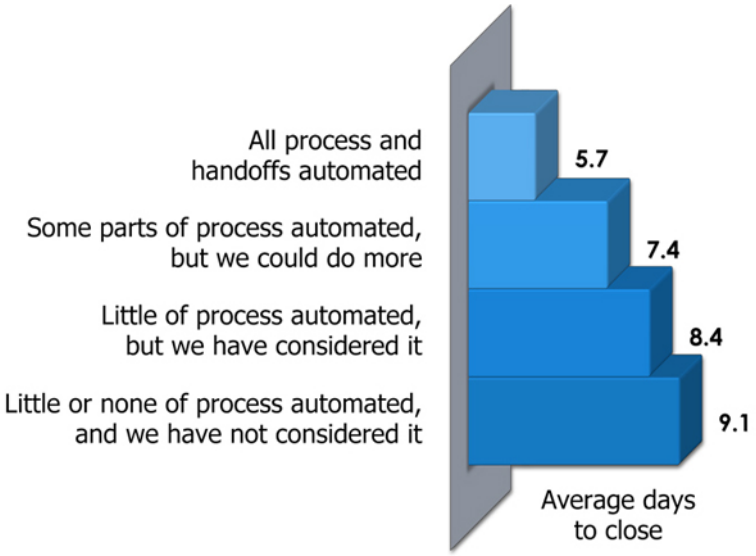
Using dedicated consolidation software improves effectiveness and provides three important benefits to companies.

A faster close: Half of companies that use consolidation software close their quarterly books within six business days – twice as many as those that use spreadsheets (26%).

Greater satisfaction: More than two-thirds (68%) of those that use consolidation software are satisfied with their software, compared to just 32 percent of those that use spreadsheets.

Improved automation: Automation cuts the close time. Companies that automate all steps take 5.7 days to close; those that have automated little or none take 9.1 days **– a full 60 percent longer**.

Automation Speeds Financial Close



Takeaway: Consolidation software provides a strong foundation for a better close process. Automation gives executives needed information sooner and frees up time for useful analysis. Spreadsheets don't do either.

Better Software is Here

38 percent of large businesses (with 1,000 or more employees) use a dedicated consolidation system to manage their close, while 21 percent use spreadsheets.

Many companies that use spreadsheets to manage their financial close believe that consolidation software is expensive and difficult to use and maintain.

However, today there are many affordable, manageable systems that can speed the close and eliminate the risks of using spreadsheets.

Takeaway: Spreadsheets are not the answer to a speedy close. Consolidation software is the right choice.

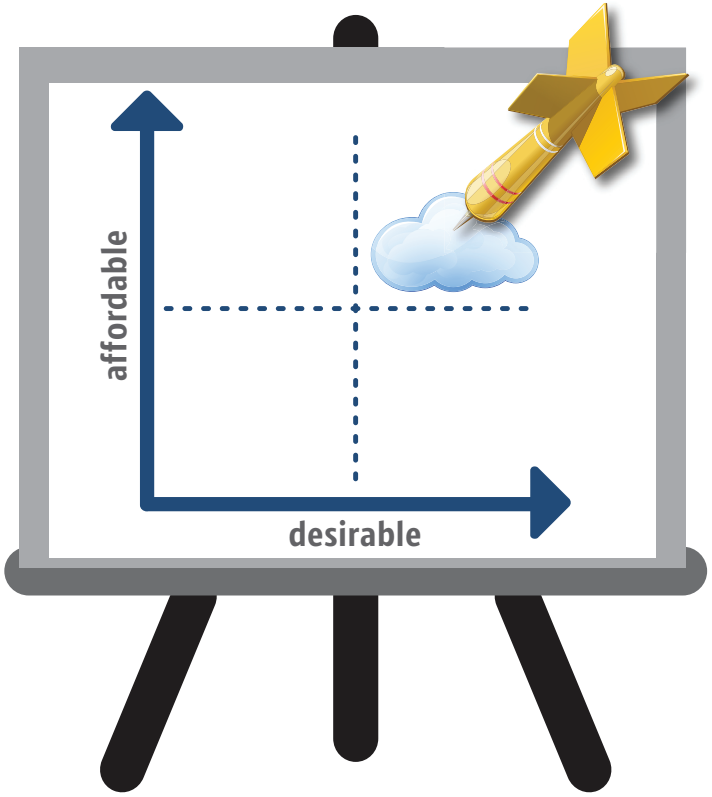
Consolidation Software Has Changed

Consolidation software has changed greatly in the past decade. Not long ago, the cost and resource commitments required to deploy and maintain an on-premises consolidation system priced the technology out of reach for many companies. Today there are many affordable options.

Consolidation systems offer:

- **Integrated financial consolidation**
- **Reporting**
- **Collaboration**
- **Analytics**

Cloud-based systems in particular can be more affordable, easier to use and faster to deliver time to value than on-premises systems.



Takeaway: Organizations without consolidation systems or with aging ones should explore new ones. Cloud-based systems in particular change the economics of owning consolidation software.

Technology Supports Process Improvement

The close can be shortened by embracing a continuous improvement approach and using technology designed to enable faster closing.

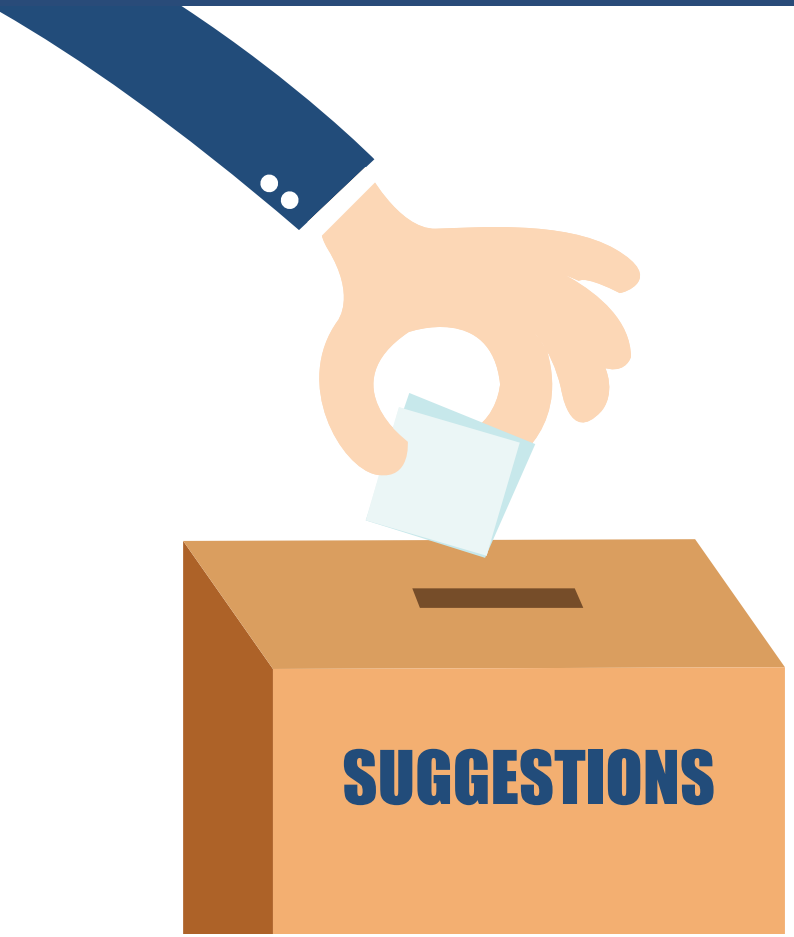
Organizations using dedicated consolidation software obtain consistency and better results through automated workflows.

With automated workflows they can:

- establish and enforce consistent execution of steps.
- manage exceptions and reviews.
- ensure deadlines are met.
- generate notifications and alerts.

Takeaway: Automation through technology makes it easier for companies to manage continuous improvement.

Create a Continuous Improvement Culture



A lengthy close often has multiple causes, so **a disciplined continuous improvement approach** to identify impediments **is required** to achieve lasting improvement.

Our research correlates a company's reviews of its closing process with its ability to shorten the close. **Two-thirds of those that do monthly reviews are able to cut their closing time.** Half of those that review quarterly or less often are able to improve. For those that have no review process, only 26 percent can make improvements. In fact, just starting the process gets results: **77 percent of companies that begin a program to shorten their close achieve results,** compared to just 15 percent that have no formal commitment to begin an improvement effort.

Takeaway: CFOs and controllers: A disciplined process of addressing issues pays off in faster closing.

Consolidate and close faster!

Here's what to do now:

Start a **continuous improvement program** to address issues and achieve set objectives. Use **technology** that supports a fast close.

- Companies that use spreadsheets should evaluate dedicated consolidation software because it can be faster, more efficient, less error-prone and easier to audit.
- Heavy users of spreadsheets for allocations and other analysis and calculations must reduce the frequency of spreadsheet use.
- Companies with older consolidation systems should assess whether the software is still capable of supporting their closing process or if other consolidation software adds benefits or cost savings.

Start now. Get better results and improve finance department effectiveness.

Adaptive Insights

The research reports *Trends in Developing the Fast, Clean Close: Refining Financial Processes and Systems for Best Execution and Systems for Best Execution* and *Spreadsheets in Today's Enterprise: Making Intelligent Use of a Core Technology* may be purchased from Ventana Research at **www.ventanaresearch.com**.

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