A Guide to Buying Close Management Software

Top 10 Considerations for Midsize Companies

Ventana Research

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The Turning Point

To be successful, midsize businesses eventually must deploy dedicated software to manage the accounting close. There may be flashing yellow signals if completing the close is taking longer, there is more overtime, or someone forgets to do something. Worse, the signals may be flashing red if there's been a serious error in the financial statements or an audit issue.

Companies also reach this point when specific events occur or when they reach certain milestones. For example:

- A move occurs to a new financial management or ERP system.
- Three or more accountants are involved and coordinating tasks is increasingly difficult.
- An annual audit becomes mandatory, especially when a company is considering a public offering that will impose a heavier compliance burden such as is required under the Sarbanes-Oxley Act.
- Closing the books takes longer or staff workloads are escalating.

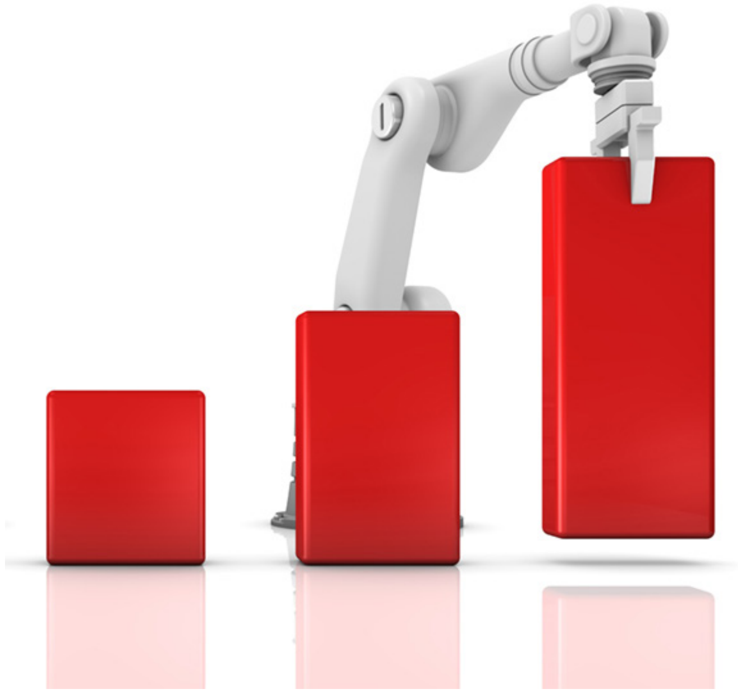
When this time comes, controllers and CFOs need to consider adopting close management software.

Close Management Software

The close lends itself to **software automation** because it's an easily definable and repetitive procedure. Close management software guides the process, tracks progress and handles exceptions. It consolidates disparate checklists, enables collaboration to replace scattered email threads, reduces the need for status meetings and automates much of the tedious manual reconciliation process.

Close management software provides key benefits for a midsize business:

- It is able to **close sooner**.
- The company **can scale** without adding headcount.
- **Audits and compliance** are easier.
- **More time** is available for the controller to focus on more valuable issues.



Takeaway: Software can improve the efficiency and quality of the close.

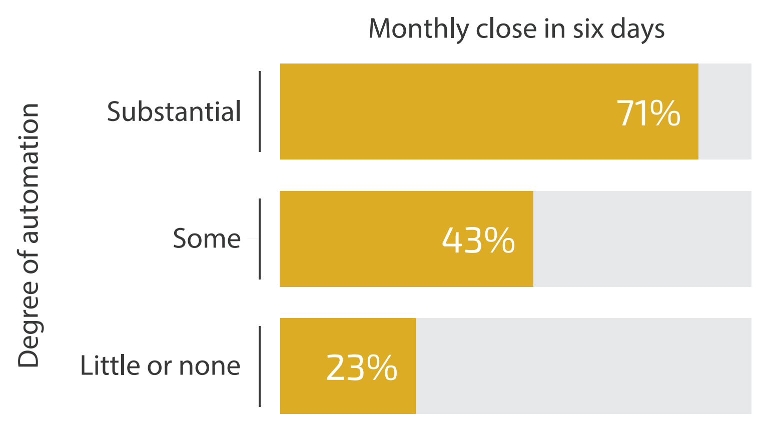
Automation Speeds the Close

Close automation software ensures that every step is handled the same way and manages approvals and the roles, rules and responsibilities of all those involved. Automated monitoring makes it possible to manage the process by exception, eliminating status meetings while providing **immediate alerts** when any step has fallen behind schedule.

Process automation also improves departmental efficiency. Our research finds that **71%** of companies that substantially automate their financial close complete it within 6 business days of the end of the quarter, while that's true of only **43%** that automate some of the process and just **23%** that have automated little or none of it.

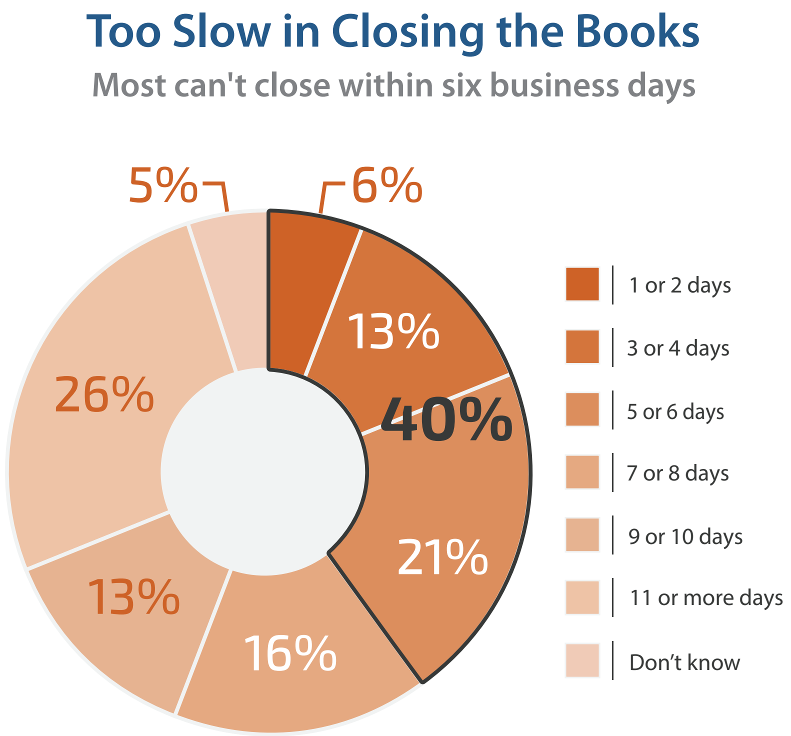
Automation Shortens the Financial Close

Companies that automate close sooner



Takeaway: Time saved by automation enables finance executives to concentrate on more important matters.

Closing Sooner is Important



Closing sooner is important for two main reasons:

- It makes it possible to **get information more quickly** about the company's performance to executives and managers. **77%** of the midsize companies participating in our Fast, Clean Close benchmark research identified this as the most important reason to shorten the close.
- It provides **more time for analysis and review** before finalizing the financial statements.

Because data is available sooner, opportunities and issues can be spotted more quickly. A fast close is important for retaining the ability to react as needed to changes in markets and competition.

Takeaway: A shorter close has significant business value.

Achieve Process Visibility

Visibility means all relevant events are evident to those involved in the process. In managing the close it is necessary when a company grows past the point that the controller still can manage the process in his or her head. The visibility that close management software provides **enables controllers to manage by exception**. With this visibility, the controller can more easily prioritize tasks that require attention to keep the process on schedule.

An automation system for managing the close also should serve as the library for **review notes** that can be **shared in real time** to keep everyone informed and more broadly as the central repository for notes on reviews and audits.

Takeaway: Close management software promotes visibility in the close.

Focus on Quality

It's important to take a total quality management approach to the close, eliminating as many sources of defects as possible and using systems that **prevent errors** from occurring – for example, orchestrating workflows to ensure that all tasks start on time and follow an established order to completion. On average, participants in our research estimated that they could save 1 to 2 days in closing if all errors were eliminated. **Building quality** into the process and **reducing mistakes** thus helps shorten the close.

Quality requires organization: All participants in the close must be working in a single unified system to ensure both clear, consistent communication and that everyone sees the same information at all times.

Takeaway: Build quality and consistency with close automation software.

What to Look For

In evaluating close automation software, companies should ensure that the capabilities of the system suit the needs of the organization:

- **Integration** with existing ERP systems
- **Ease of use** for all accounting personnel
- Dashboards that give finance executives **real-time status** as well as **alerts** when task deadlines are not met
- Automated **general ledger to Excel** tie-outs
- **Account locking** to ensure amounts remain balanced
- Automated **roll-forward to next period** to ensure consistency
- **Process status alerts**, especially any unreconciled items
- In-context **collaboration**

Takeaway: Ensure the software being considered has all necessary capabilities for your organization.

The Right Size Matters

Midsize companies often have the same requirements for software as larger ones, but they don't have the same budget or staff available. When selecting software, it's essential to understand all the **direct costs** involved, including for implementation and upgrades if your company has to hire consultants to help. It's also important to consider the human factors: the **training** involved to master the software, its **ease of use** and the **user experience**. Larger enterprises typically have greater resources that justify a large investment. Midsize companies may not.

Takeaway: Don't compromise on capabilities but don't buy software that's built for a much larger company.

Assess Your Situation Today

A successful and growing midsize organization should examine how close automation can make its periodic close more efficient and effective. Automation software can quickly deliver significant improvement by shortening the close and enabling the finance organization to provide necessary information sooner to executives and managers. It also can improve the quality of the process, enhance both productivity and control and promote financial statement accuracy.

Companies that take more than a business week to complete their close should make shortening it a high priority. A company should analyze its needs and available budget and establish a process to match those to software capabilities. User references are essential, focusing on evaluating the vendor and features and functions of its software and how the software has changed the process, improved productivity and satisfaction and created business value.

The Ventana Research benchmark research reports *The Fast, Clean Close* and *The Office of Finance on the Brink of Change* can be found at **www.ventanaresearch.com**.