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Faster Financial Period Closes Are Extremely Valuable, Say CFOs

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This is the key finding in a new poll of corporate CFOs, controllers and other financial managers conducted by the accounting firm CohnReznick, the 11th largest accounting, tax, and advisory firm in the United States.

"No matter how advanced they were in the financial close process, respondents said that picking up an additional day or two is very important because it creates high-value analytical time that can be used to provide meaningful insight to the rest of the management team," said John Macrae a Principal at CohnReznick.

According to more than 70 percent of the survey respondents, five factors stood between their wish for a shorter financial close:

1. Waiting for information from other people
2. Lacking visibility into where things stand in the close process
3. Coping with delays and errors caused by too many manual processes
4. Facing the need to combine and analyze information from multiple enterprise resource planning (ERP) and other systems
5. Fixing operational errors caused by poor processes and controls

Contributing to these factors is an overreliance on manual processes, which creates bottlenecks, clouds visibility into processes and can lead to errors – all left to financial managers to clean up at the end of an already stressful financial-close period.

"Many organizations are struggling with manual processes because they have under invested in technology or don't know about systems that can help streamline the close process," said Thomas Crawford, Manager, CohnReznick. "At the same time, CFOs are often tasked with consolidating results from seven or ten different systems, which causes further delays."

CohnReznick also asked financial managers how long the financial close at their companies typically takes. The majority (40 per cent) said their companies were completing their financial close within 5-10 days, followed by 22 percent within 1-5 days and 16 percent within 15-20 days. All felt they could do better, with 40 percent saying they had a goal of reducing the closing cycle by 2-3 business days, 23 percent by 1 day, 21 percent by 4-5 business days, and 13 percent by more than 5 business days.

Gaining extra time to more carefully analyze results is one of the chief benefits of shortening the close process. "Companies that can shorten the process gain a competitive advantage," said Macrae. "They are in a better position to react proactively to threats and opportunities and are perceived as well run by their stakeholders. And, because there's more time to double check data, their decision makers have more confidence in the quality of their reports," he said.

The bottom line, added Macrae, "is that financial managers want and need to improve their financial close processes. And the good thing is, there are good business process improvement strategies and technologies out there that definitely can help them achieve their goals."

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