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Ignoring a company's financial close process is easy when it is operating smoothly. With robust systems and processes in place, companies can have the necessary financial information to make real-time, informed decisions while meeting financial and tax reporting deadlines.

In contrast, the absence of an effective financial close process will result in a company struggling to produce relevant and reliable data for its stakeholders. Unexpected delays and breakdowns in the financial close process are detrimental,

hindering a company's ability to make timely and informed decisions and ultimately

operations, finance, and HR—all contribute to the compilation of financial statements that provide key stakeholders with the data they need to make informed decisions. As a result, these teams must coordinate their activities to ensure data is consistently gathered and reported across different departments, geographies, and legal entities. Without this alignment, data integrity issues will arise that require careful manual review and finessing. For companies with robust, decentralized operations, system integration across the entire financial close cycle is key.

Whether a company is using a system or manually reconciling its accounts, the financial close team must be adequately trained to adhere to the established processes. As part of the training and onboarding process, employees should be educated and reminded of the value of a robust close function and their important role within that process.

Lack of prioritization:

When companies do not properly prioritize their close activities and adhere to deadlines, a domino effect occurs that delays the rest of the close activities that follow. Companies should develop a close calendar to prioritize activities, manage issues that arise, and track progress against deadlines. As part of developing the close calendar, companies should determine which tasks have a high degree of influence over subsequent activities and schedule them early in the close process (even before "Day 1") to eliminate bottlenecks. Companies should establish realistic timelines that allow management to thoroughly review the financial packages, including reconciliations and consolidations; failure to do so will disrupt the review cadence, delay downstream activities, and put controls at risk when the team inevitably tries to "catch up" to meet deadlines.

Inadequate control environment:

Regardless of how many journal entries a company records each month, the review

automation. Additionally, where manual entries are required, companies should establish clearly defined roles and responsibilities to ensure reviewers have appropriate underlying support, resulting in more timely, predictable and accurate financial information.

Worrying about the small stuff:

Accounting and finance functions often get caught up in minor, less impactful details, which can ground the process to a halt as individuals focus on immaterial matters that have little bearing on decision makers. Management should establish an appropriate materiality threshold for the close process and instruct accounting teams to pass on clearly immaterial items.

One component of an effective financial close is to define which close activities are required for monthly, quarterly, or annual close processes. Often, monthly close activities can be truncated to deliver relevant results to the business when external reporting is not required. More robust closings may be required quarterly and annually for bank or regulatory reporting. Saving heavier lifts for closes that have an external impact allows the accounting group to keep up with operational needs and appropriately plan for labor-intensive closes.

Too many manual activities:

Many companies still rely on manual inputs for their close process, leaving them exposed to errors and delays in the event key employees resign. Companies that maximize the use of automation with system-based solutions will speed up journal entries, calculations, and approvals while eliminating errors. For example, management can establish recurring entries for items such as debt premiums and discounts, certain reserves, prepaid amortization, and straight-line rents. Most importantly, focusing on automation frees employees at all levels of the organization

from daily data entry and governance, empowering them to focus on the strategic

areas for improvement, companies can increase the quality and accuracy of their financial reporting while decreasing the overall close time.

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