



## 3 Ways To Accelerate and Improve The Financial Close Process

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## **Introduction**

Accurate and timely financial reporting is critical to the health of a business. Bad financial reporting can result in high operations costs, poor business decisions, a lower share price, and regulatory fines.

Yet the financial close and reporting process at most businesses requires staff to hurriedly track down information, pour over spreadsheets, and plead with coworkers for timely analysis. Even with strong enterprise resource planning (ERP) and reporting software in place, most businesses rely on multiple checklists and spreadsheets to manage their monthly, quarterly, or annual financial close process.

Accelerated financial reporting management solutions make it easy for businesses to access required information, collaborate to make adjustments, review changes, analyze data, and audit every task.

These accelerated solutions transform the financial close process in three fundamental ways by:

1. Increasing confidence in close completeness
2. Reducing labor costs
3. Allowing staff to continuously improve processes over time

This white paper explains how financial close management solutions optimize the close process, and provides real-world examples of businesses achieving these results.

## **Optimizes close-related tasks**

Financial close management solutions provide real-time, centralized access to financial information, resulting in a faster, more accurate and less labor-intensive process.

Financial close management solutions automatically present employees with assigned activities for the reporting cycle, along with all of the necessary documentation. This approach eliminates the need for employees to figure out the next required tasks, rely on spreadsheets to manage close checklists, or track down documents. Dashboards provide insight into the status of people, processes and systems, and email facilitates fast and easy collaboration between coworkers.

Importantly, financial close solutions co-exist with legacy financial systems and business processes. The solutions pull data required for a close from any system including those for payroll, reporting, revenue, fixed assets, accounting and general ledger. ERP screen shots and reports, as well as spreadsheets and documents, are stored alongside the task they support.

## Increases confidence in close completeness

Manual financial close processes don't provide the diligence or agility to ensure that a business is not susceptible to material weaknesses in financial reporting. Automation changes all of that.

Brian Vondran, corporate controller for RTI International Metals, explained that his company's financial reporting management solution provides "accuracy and stability to the entire close process."

Here are three ways these solutions increase confidence in close completeness:

- **Accelerates close processes:** Financial close solutions ensure that all close-related tasks are completed on time or ahead of schedule. They enable staff to more actively manage the close process, getting in front of problems before they become larger issues. Performance metrics also allow managers to easily see the outstanding tasks at any time. And, they ensure that no steps are omitted or overlooked.

Jergens Industrial Supply, an Ohio-based manufacturer and distributor of metalworking consumables and related products, reduced its financial reporting cycle from more than 10 days down to five as a result of deploying an automated financial reporting solution. What's more, Jergens continues to speed its monthly financial reporting cycle while achieving more accurate results and greater transparency with each stage of its close process.

- **Facilitates better decision-making:** A faster close process provides businesses with the opportunity to make necessary adjustments or decisions. These solutions automatically assign employees with activities, along with all of the necessary procedures, files, and templates to complete tasks.
- **Streamlines audits:** Compliance violations can result in substantial penalties, fees, and fines. Financial close solutions enable businesses to ensure adherence to internal controls and procedures, and prove quality preparation and review efforts to auditors. For instance, dashboards provide real-time insight into the status of people, processes, and systems. Users can view staff workloads, completed tasks, and bottlenecks to know exactly where the process stands. These solutions can also track who prepares and reviews each task, and when each task is completed.

## Reduces labor costs

Manual financial close processes are expensive. Accelerated financial reporting management solutions reduce the average cost for the accounting function.

Businesses can use financial close solutions to reduce labor costs by:

- **Reducing overtime and temporary staff:** Financial reporting solutions eliminate data entry and manually tracking tasks (think: spreadsheets) that typically result in the need for costly employee overtime and temporary staff. The Leukemia & Lymphoma Society's financial reporting management solution enables staff to work on spreadsheets concurrently, and receive automated alerts when all of the tasks associated with a particular document are completed, noted JR Miller, the organization's senior vice president of finance.

Automated financial close solutions also provide businesses with tools to identify bottlenecks and troubleshoot their root cause, further reducing costs. Similarly, the solutions provide instant visibility into each employee's workload, enabling managers to quickly rebalance work to avoid potential bottlenecks.

The visibility and reporting provided by financial close solutions also holds employees accountable for their work, resulting in improved staff performance. "We have experienced the beast of inefficiency firsthand," Miller said. "Automation has enabled us to inventory staff activities and review staff workloads to streamline and reorganize our close processes and become more efficient."

- **Increasing employee retention:** Financial close solutions provide a quality work environment where staff feel like trusted business partners to the future of the organization. In a typical financial environment, the finance staff is too busy performing the tasks associated with the close to provide additional value to other departments or locations within the organization, according to Miller. These solutions also reduce the chances of crises during the financial close process, while helping employees to more effectively balance their workloads.
- **Speeding up staff training:** Accelerating the financial close process enables businesses to speed the training and onboarding of new staff through standardized processes. The solutions also allow users to include specific instructions for each task. Managers can provide templates that explain required information; staff can easily drag and drop supporting documents. The built-in training module and online access to processes and procedures within the Leukemia & Lymphoma Society's financial reporting solution enabled the organization to quickly replace a departed accounting manager who it greatly relied on during its closing process. "A user can log in and see the step-by-step process documented by the last accounting manager," Miller said. "The solution enables new staff to become very productive, very quickly."

## Enables continuous process improvements

Manual financial close processes provide few opportunities to achieve incremental improvements.

Financial close solutions enable businesses to continuously and sustainably improve the financial close process. Hard to believe? Consider this: If the team responsible for a business' financial close improved by just 1 percent per month, that would result in a more than 10 percent improvement per year.

Accelerating the financial close process has enabled the staff at The Leukemia & Lymphoma Society to incrementally improve processes and find new ways of doing their jobs to become more productive and deliver more value to the organization. "For us, continuous improvement isn't about adding money to the bottom line; it's about advancing cures for our mission," Miller explained.

Here's how automation can help a business achieve a 10 percent improvement in its financial close:

- **Better stakeholder outcomes:** Investors, boards of directors, audit committees, and other stakeholders place high expectations on the quality of a business' financial close. Automated financial reporting solutions enable businesses to exceed these expectations, while making steady and sustainable improvements without disrupting existing processes. For instance, performance metrics allow managers to see if a certain business unit repeatedly struggles with a particular task and adjust the business processes as necessary. The solutions also allow businesses to easily adapt to changing economic and organizational environments.
- **Enhanced corporate agility:** Speeding up financial reporting processes frees staff to focus on strategic planning and other value-added business functions. For example, staff have more time to perform analyses that support an executive team. Moreover, reducing financial close tasks enables businesses to avoid adding financial operations staff as the organization grows.
- **Higher employee satisfaction:** "In the typical finance environment, staff gets stuck in the same routine and doesn't have time for value-added activities," Miller said. Automating financial reporting frees and empowers staff to become subject matter experts who are sought-after consultants within the business. The proficiency gained by finance staff creates a better team dynamic that improves overall staff morale, makes staff more proactive, and allows staff to back each other up as necessary. It also ensures that a business can manage its financial close in any circumstance, such as when key employees are on vacation, a process is changed, or new employees join the team.

## Case Studies

A growing number of businesses are optimizing their financial close processes. Below are examples of two businesses that benefit from the technology.

### **RTI International Metals**

RTI International Metals is one of the world's largest producers of titanium. With over 2,500 employees worldwide, and a financial team spread across six global offices, it was a challenge every month for the manufacturer to aggregate its financial information and communicate it in a timely manner.

That changed after RTI revamped its financial close process. The company's financial reporting management solution connects all of the documents, procedures, and activities required for a close and makes them available in a central location. The solution bridged all of the manufacturer's legacy systems and processes, enabling RTI to easily view the sequence of activities in the close process and identify bottlenecks and non-value added tasks.

The visibility into business processes enables RTI to continuously improve its financial close business processes, which has resulted in a faster close and lower operating costs.

Additionally, automated audit trails of close activities streamlined the manufacturer's compliance process. For example, to complete month-end analytic controls, staff opens a task document to see exactly how to accomplish the task, as well as where to find the final PDF file to attach. When staff submits a completed task, it is automatically routed to a manager for approval. Once the task is approved by a manager, it becomes Sarbanes-Oxley compliant. The completed task is immediately available digitally for review, along with the documented review procedures and supporting files.

The preventative controls in its automated financial reporting management solution enabled RTI to dramatically reduce its Sarbanes-Oxley testing efforts. The solution also allows the manufacturer to enforce the multiple approval levels and segregate duties required for compliance. The manufacturer's internal testing team can review reconciliations from all over the world, in real time, from their desktops at headquarters in Pittsburgh, to ensure that key controls are on target.

Additionally, centralizing financial close information with its automated solution has eliminated any possible confusion about when something is due and what exactly is due.

### **Invacare**

Headquartered in Elyria, Ohio, Invacare manufactures and distributes non-acute medical products globally.

With more than 100 employees worldwide who contribute to the company's monthly financial close, Invacare lacked visibility into the activities those employees performed. The company needed a way to foster collaboration among its accounting groups, and generate a list of financial close activities.

The company deployed an automated financial reporting management solution to connect all close-related documents, procedures, and activities, and make them available from a central location.

"You get a really good picture of all of the support without having to search for documents or the person responsible," said Seth Linebrink, director of financial planning and analysis at Invacare. "If one entry or reconciliation is based on another from last month, you access [the financial reporting management solution] and find the related item. I don't need to track down someone in another time zone and ask for support. I can see everything right on my screen."

The automated solution also improved Invacare's visibility into the financial close process.

A dashboard displays all posted entries and exposes any bottlenecks in the close process. Within a few months of deploying the automated financial reporting solution, the manufacturer's corporate finance team identified key delays and addressed the underlying issues to further streamline the process.

Eliminating paper-based processes also provides Invacare's finance teams with more time to focus on analytics rather than on filing and searching for documents. The solution also allows Invacare teams to collaborate and share best practices, regardless of where individual business units are located.

Additionally, Invacare's automated financial reporting management solution has helped employee onboarding. "Recently, an associate left the company and all tasks and their instructions were in [our automated system], so we didn't have to sit down with the person who was leaving and go over everything," he said. "It was a seamless transition for the new employee taking over the role."

## The Close

Businesses have a lot riding on accurate and timely financial reporting. They cannot afford the errors, delays and risks that are common with traditional, manual financial close processes. That's why more businesses are deploying financial reporting management solutions. These solutions transform the financial close process by increasing confidence in close completeness, reducing labor costs, and driving continuous process improvement. Many businesses already are benefiting from financial reporting management solutions. Those that delay eliminating the manual portions of their financial close and reporting processes will soon find themselves at a competitive disadvantage.

## The Institute of Financial Operations

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