
THE CHAOS OF MONTH-END CLOSE

A SURVEY OF ACCOUNTING AND FINANCE PROFESSIONALS

January 2017

THE CHAOS OF MONTH-END CLOSE

A SURVEY OF ACCOUNTING AND FINANCE PROFESSIONALS



Dimensional Research | January 2017

Introduction

If you talk to the spouse or close friend of almost any accounting or finance professional, they know about month-end close. They might not know all the details, but certainly they will be aware of the need to be intensely focused on work for a regularly scheduled period each month. This can be a stressful time for many individuals who work in finance teams, with tight timelines, many issues outside of their control, and the high stakes for the accuracy of their work adding to the pressure of jobs that are already challenging.

This research report explores the experiences of accounting and finance professionals with month-end close processes. What is the impact on the people responsible for the work? What parts are most difficult? Can technology help to make this time less intense and the outcomes more effective?

The following report, sponsored by FloQast, is based on a survey of 259 accounting and finance professionals. All had responsibility for month-end close processes in a hands-on, managerial, or support function. Questions were asked on a wide range of subjects including experience with close, confidence in current approaches, and attitudes towards close management software.

Key Findings

- **Close robs employees of work-life balance**
 - 88% are personally impacted by the pressure of close
 - 60% say stress levels increase during close
 - 44% find it difficult to schedule life events
 - More than 1 in 4 have lost staff because of the stress of close
- **Current close processes do not inspire confidence**
 - 75% not fully confident in accuracy of last close
 - 87% face challenges with their close processes
 - 71% say current close processes exist only as tribal knowledge, without documentation
 - 78% find themselves re-opening their books after close
- **Close management software delivers measurable benefits**
 - 97% of close management software users report benefits
 - More than half have gained a full day a week during close
 - 83% say their close process is more documented and more transparent
 - 72% say close management software helps with audits
 - 63% of managers say close management software reduces need for micromanagement
 - 89% of those who don't use close management software say they would benefit if they had the capabilities

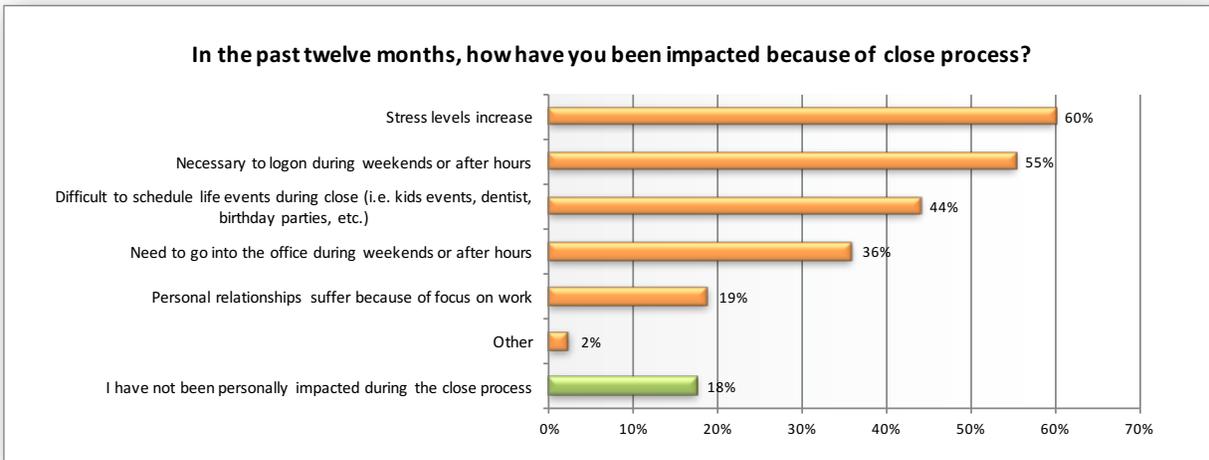


Detailed Findings: Close robs employees of work-life balance

Most accounting and finance professionals are negatively impacted by close

The month-end close is clearly disruptive for individuals who work in accounting or finance roles. When asked about how close has impacted them in the past 12 months, more than 4 in 5 (82%) reported that they had been personally impacted in a negative way.

Specific types of impacts varied with the most common being increased stress levels (60%), and need to log on during weekends or after hours (55%). Almost half reported difficulties scheduling regular life events, and more than 1 in 3 (36%) had to physically go into their office outside of normal work times. Most alarmingly, almost 1 in 5 (19%) reported that personal relationships suffered because of the need to focus on work during the stressful close period.



Several participants took the time to write in specific impacts that they deal with during month-end close. Comments were very personal and included remarks such as:

- “I eat three meals a day at my desk.”
- “I barely have time to use the bathroom.”
- “It’s almost impossible to schedule a meaningful vacation.”

Life events are missed or rescheduled because of close

It is always difficult to miss a child’s school concert or a good friend’s birthday because of work. The close period can be particularly challenging in this way since these times when life events are difficult to schedule are so frequent.

To fully understand this aspect of the lives of accounting and finance professionals we asked the individuals who indicated that they had missed life events because of close what these events were. The most frequent responses were the types of activities that are irritating to reschedule, but not impossible, including vacations (95% of those asked)

THE CHAOS OF MONTH-END CLOSE

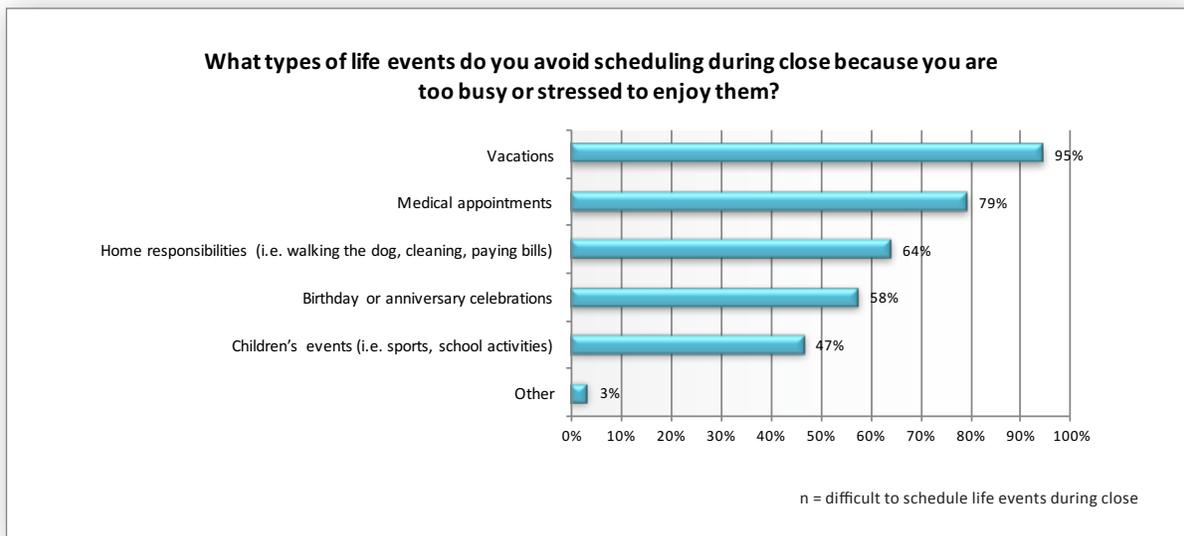
A SURVEY OF ACCOUNTING AND FINANCE PROFESSIONALS



Dimensional Research | January 2017

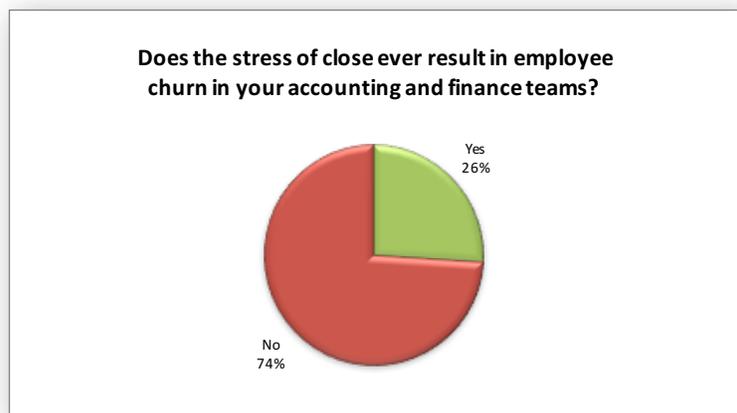
and medical appointments (79%). However, many people reported that they avoided the kind of activities that are more likely to be completely missed rather than rescheduled. This included day-to-day home responsibilities such as cleaning and pet care (64%), birthdays or anniversaries (58%), and children's sport or school events (47%).

Several people took the time to write in life events that were particularly difficult for them to miss. These were invariably activities that were very personal such as volunteer work, sports, exercise, and their own school-related events for those continuing their education.



Losing staff because of the stress of close is not uncommon

While times of stress are never fun for the individual, having staff who is regularly pushed can also have a downside for business outcomes. Staff churn is difficult for any manager, more so when you need to hire and train skilled workers. The stress of close can have a real business impact with accounting and finance teams reporting that more than 1 in 4 (26%) have actually lost staff because of the stress related to close.



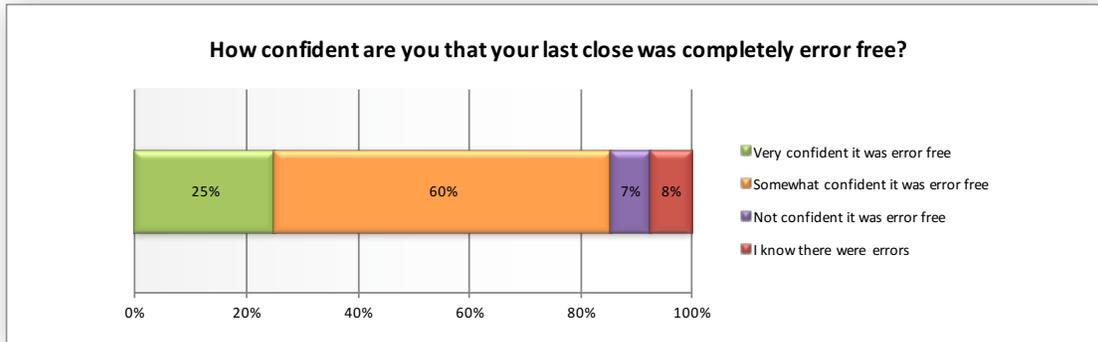


Detailed Findings: Current close processes do not inspire confidence

Lack of confidence in the accuracy of close

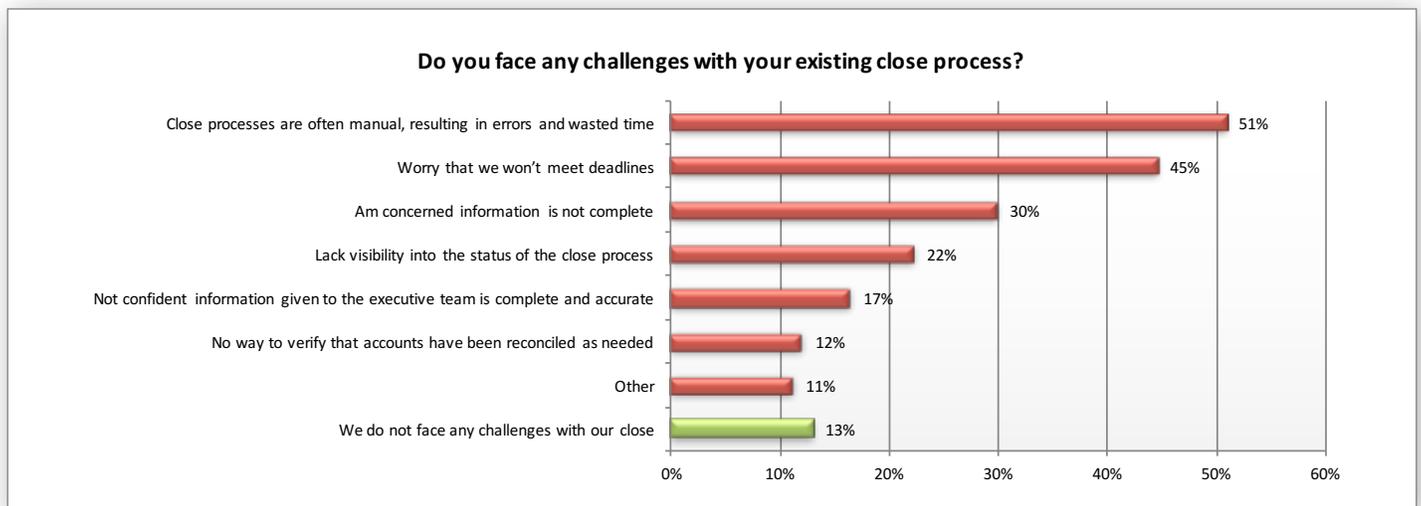
Accounting processes are known for their focus on absolute and complete accuracy. Errors of even a few cents are flagged in the reconciliation process and time is taken to correct them. High risk accounts will be corrected, lower risk accounts will be corrected in the next period. Complete accuracy is expected, and the consequences for mistakes can be severe.

Given this focus on accuracy, it is worrisome that only 1 in 4 accounting and finance professionals (25%) report that they are “very confident” that their last close was error free, and 8% actually know that they did have errors in their close! Well over half (60%) characterized themselves as only “somewhat confident.” In many fields this might be a reasonable response, but most accounting teams are shooting for complete confidence, so this is clearly not good news.



Close processes are challenging

At least part of the reason for the lack of confidence in the accuracy of close is because the processes are difficult. Most accounting and finance professionals (87%) report that they face challenges with month-end close. Specific issues include time-consuming and error-prone manual close processes (51%), concerns about meeting deadlines (45%), concerns about incomplete information (30%), lack of visibility into the status of close (22%), and more.



THE CHAOS OF MONTH-END CLOSE

A SURVEY OF ACCOUNTING AND FINANCE PROFESSIONALS



Dimensional Research | January 2017

Many survey participants did take the time to write in additional challenges that they faced. The most frequent included simply not having enough time to do the work. Also reported by many people were problems with the information received from other departments which is often late, inaccurate or incomplete. Other challenges mentioned included auditors that bring up issues after close and concerns about the risk introduced by manual or semi-manual processes.

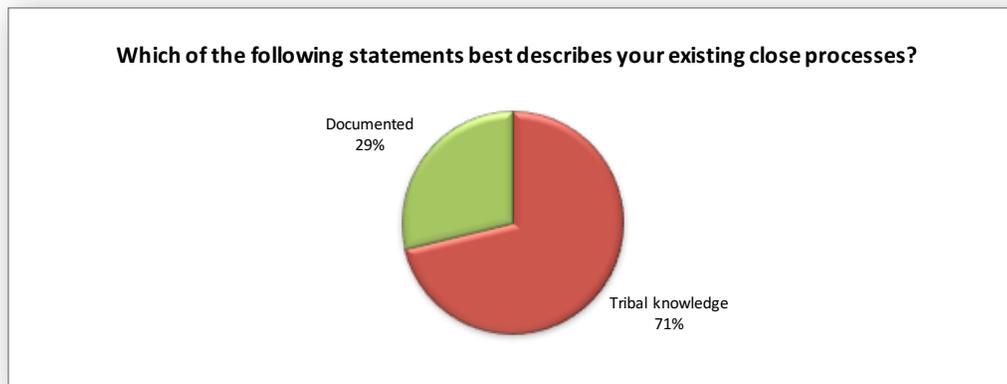
Tribal knowledge is the norm with close processes

Month-end close processes can be complicated – knowing who to get information from and how to pull it consistently, understanding internal policies and procedures to calculate adjustments properly, mapping key expenses to the right accounts, and much more. If any of these things are done inconsistently, the month end close and key business reports will be unreliable.

While having a well-documented process contributes to a smooth and accurate close, unfortunately this is not the norm. We gave these definitions to participants, and asked which one more closely described their month-end close processes:

- **Tribal knowledge:** Individual team members know our processes and personally pass along that information as needed
- **Documented:** Our processes are well documented and employees can pick up where others left off with minimal direction

Most, 71%, described their teams as working primarily with tribal knowledge, a tremendous risk if key individuals were to leave or be unable to do their work for health or other reasons.



THE CHAOS OF MONTH-END CLOSE

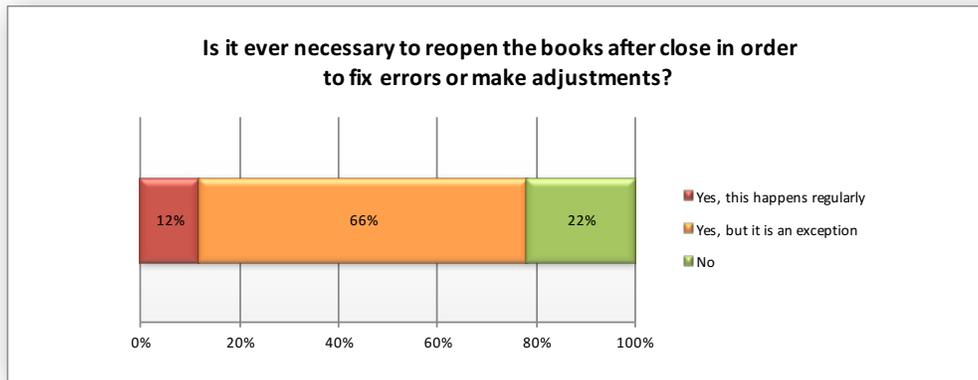
A SURVEY OF ACCOUNTING AND FINANCE PROFESSIONALS



Dimensional Research | January 2017

Most need to re-open books after close

One of the potentially good parts about working with month-end close is that it is a task that should be possible to finish in a set time, so that once you are done, you are done. Unfortunately, this isn't always the case. Only slightly more than 1 in 5 (22%) report that they do not have to re-open their books after they are closed, and more than 1 in 10 (12%) say that they regularly re-open their books.



Detailed Findings: Close management software delivers measurable results

DEFINITION: Close management software, sometimes called reconciliation, month-end close or simply close software, is a type of application used by accounting and finance teams to reduce the time and resources required to execute month-end closing, document reconciliation activities, and give visibility into the accounting close process. These are specific applications that extend the capabilities of existing general ledger (GL) or accounting software.

Participants were given this definition of close management software and asked if their organization used solutions that matched this description. Those that did use close management software were asked a series of questions on their experiences and outcomes. Those that did not currently use close management software were asked questions on perception of the value of capabilities offered by these solutions.

Close management software delivers a powerful array of benefits

Among those that do use close management software, there is broad agreement that it is very beneficial. Almost all (97%) reported that they have benefited from the use. The most frequent benefit cited is that processes are more transparent and better documented (83%), teams are better aligned (65%), and insights into the close process have been gained (65%). In addition, many reported that accounting and finance teams have more confidence in their close (55%), as well as seeing increased confidence among management teams and boards (38%). Most strikingly, more than 1 in 4 (28%) find that close management software actually reduces stress during the close process.

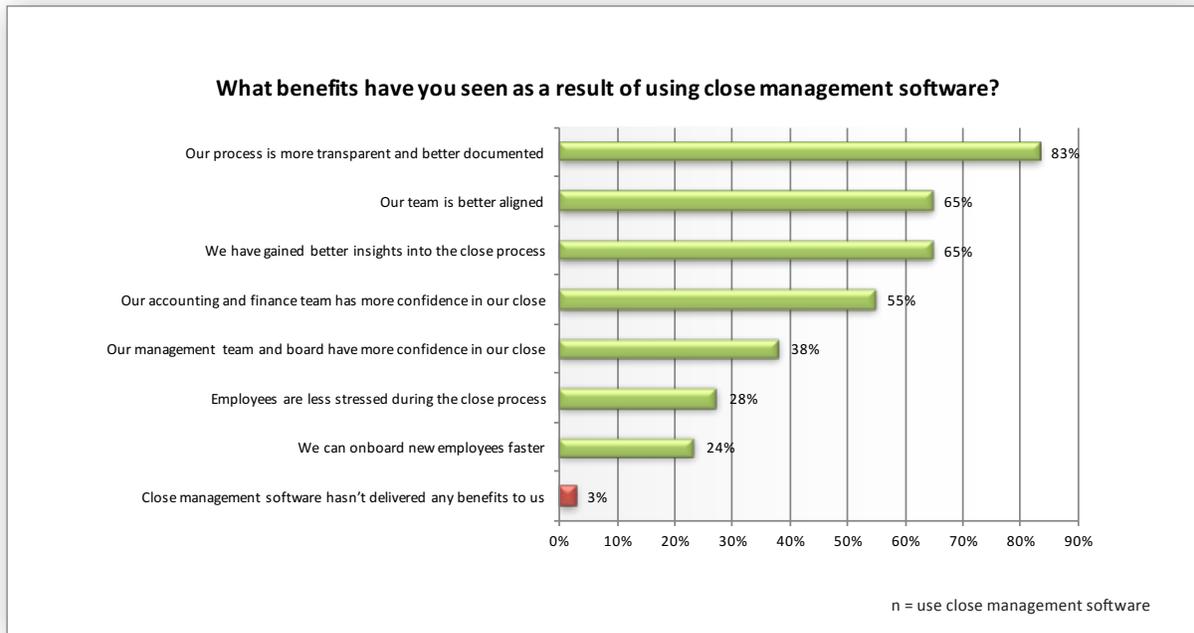
THE CHAOS OF MONTH-END CLOSE

A SURVEY OF ACCOUNTING AND FINANCE PROFESSIONALS



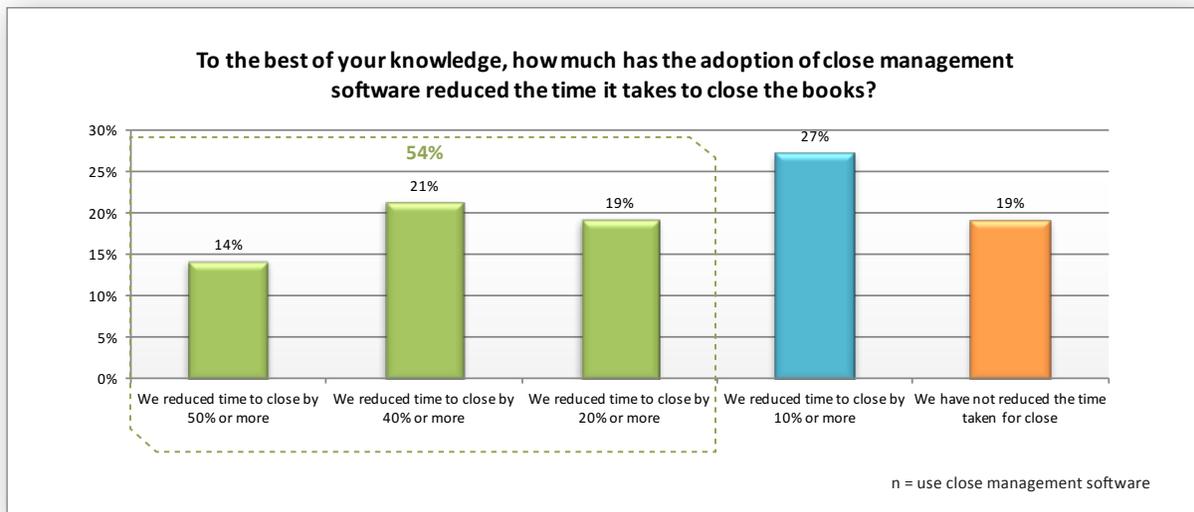
Dimensional Research | January 2017

It should be noted that some accounting and finance teams represented had adopted close management software recently, so it should be expected that benefits increase as they have more experience with the software and more time to evolve their processes.



Close software reduces time to close

Users of close software typically reduce the time they need to close. More than 4 in 5 (81%) say that they have reduced their time to close through the use of close software. More than half (54%) say that they have reduced time to close by 20% or more, gaining at least a full day of staff time during each working week of close.



THE CHAOS OF MONTH-END CLOSE

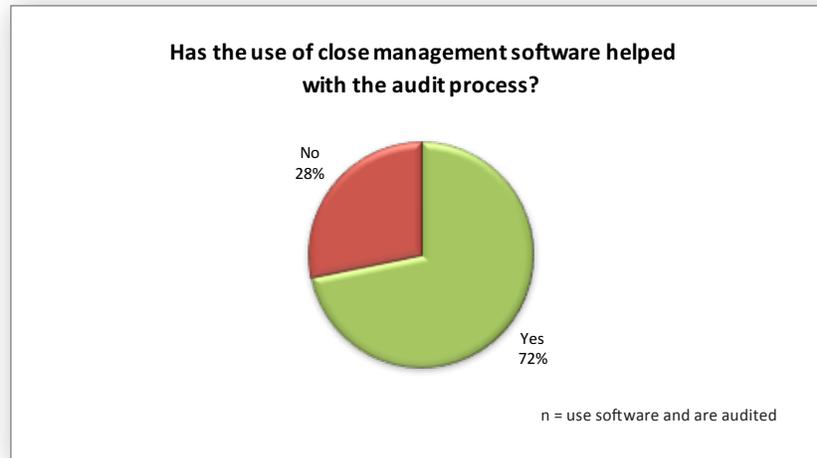
A SURVEY OF ACCOUNTING AND FINANCE PROFESSIONALS



Dimensional Research | January 2017

Close management software facilitates pain-free audits

Among those who are audited, particularly strong advantages were reported from use of close management software. Almost 3 in 4 (72%) report benefits.



Participants reported a wide range of benefits to the audit process including:

- PBC request processes are streamlined
- Helps with SOX requirements and visibility
- Reduction in total audit hours required
- Reduced questions from audit team
- Increased CFO visibility
- Close is more complete
- Easy review of process documentation
- Simplified review process workflow
- Checklists that are easy to follow
- All files are always reconciled to the GL

THE CHAOS OF MONTH-END CLOSE

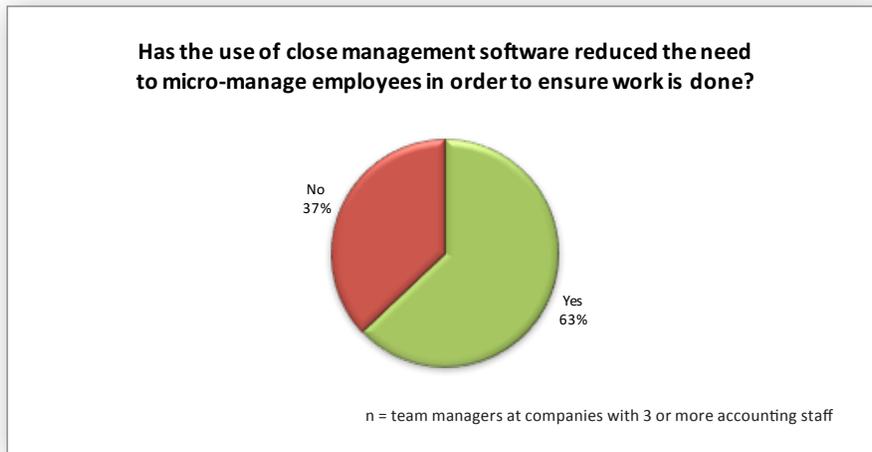
A SURVEY OF ACCOUNTING AND FINANCE PROFESSIONALS



Dimensional Research | January 2017

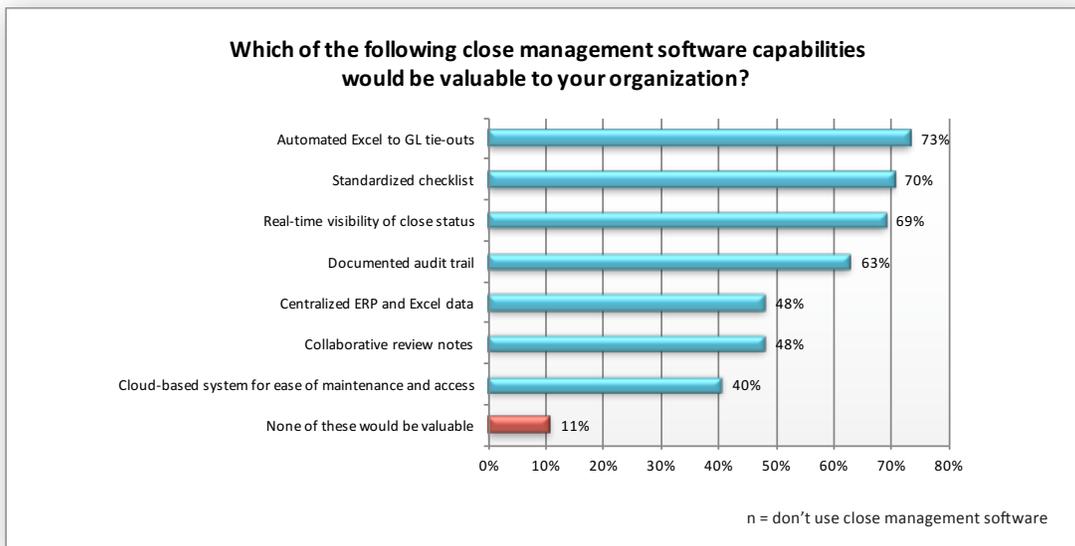
Managers report close management software relieves day-to-day task management of employees

Another interesting benefit of close management software was experienced by team managers. Among managers who worked at companies with 3 or more individuals in their accounting team, almost 2 in 3 (63%) reported a reduction in the need to manage the specific tasks performed by their team. This number increased to 70% among team managers at companies with 10 or more accounting staff.



Those who don't use close management software today see potential for value

Among those who don't use close management software today, most (89%) see value in the capabilities offered. The most compelling abilities include automating Excel to GL tie-outs (73%), having standardized checklists (70%), gaining real-time visibility into the status of close (69%), and having an automated document trail (63%).



THE CHAOS OF MONTH-END CLOSE

A SURVEY OF ACCOUNTING AND FINANCE PROFESSIONALS

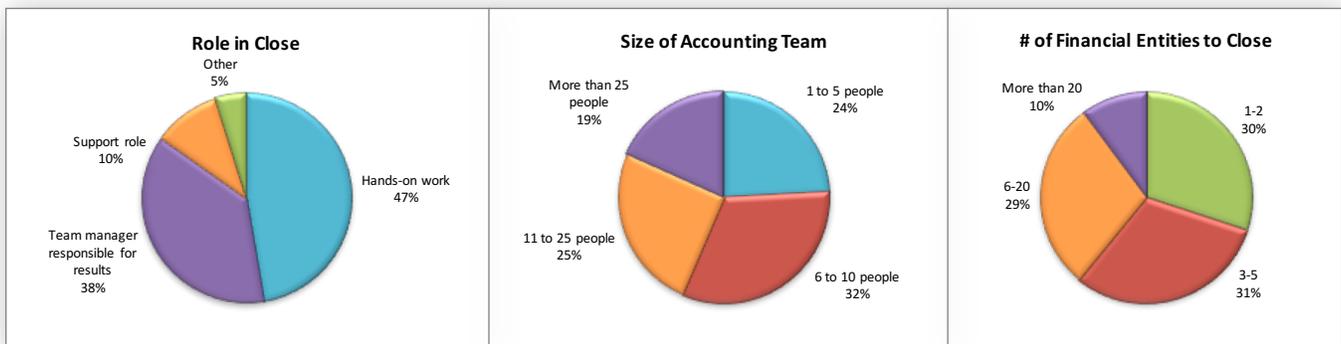


Dimensional Research | January 2017

Survey Methodology and Participant Demographics

Accounting and finance professionals were invited to participate in an online survey on the topic of experiences with month-end close. Questions were asked on a wide range of subjects including experience with the month-end close, confidence in current approaches, and attitudes towards close management software. The incentive for participating in the survey was a copy of the final report.

A total of 259 qualified participants participated in the survey. All had responsibility for month-end close processes in a hands-on, managerial, or support function. A wide range of job levels and company sizes were represented.



About Dimensional Research

Dimensional Research® provides practical market research to help technology companies make their customers more successful. Our researchers are experts in the people, processes, and technology of corporate IT. We understand how technology organizations operate to meet the needs of their business stakeholders. We partner with our clients to deliver actionable information that reduces risks, increases customer satisfaction, and grows the business. For more information, visit dimensionalresearch.com.

About FloQast

FloQast is a leading developer of close management software, created by accountants for accountants to close faster and more accurately. Working with accounting teams' existing checklists and Excel, FloQast provides a single place to manage the month-end close and gives everyone visibility. FloQast customers close on average three days faster. The award-winning solution is trusted by hundreds of accounting departments, including those at Twilio, Nutanix, Zillio and The Golden State Warriors. To learn more, visit www.floqast.com and join the conversation on Twitter @floqast.