

FINANCIAL CLOSE BENCHMARK REPORT

ADRA MATCH MARKET SURVEY 2013

An inside look at the key trends, drivers and needs
in the monthly financial reconciliation process



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I. EXECUTIVE SUMMARY

In early 2013, Adra Match carried out a market survey to determine the major challenges facing accounting and finance departments when it comes to the financial close process. The survey focused on companies in Europe and the US that carry out balance sheet reconciliations on a monthly, quarterly or year-end basis.

The survey was sent to finance managers, CFOs, controllers and other financial staff involved in the financial close process. Of the 307 professionals who responded, approximately two-thirds were from Europe, and the remaining one-third from the US. 72% of respondents were from organizations with an annual turnover of more than USD 100 million, and 27 percent from those with a turnover of more than USD 1 billion.

KEY FINDINGS

As it turns out, an overwhelming majority (90%) of the respondents confirmed that they were under pressure to close faster. Many of them noted a sharp increase in their workload during the closing period, with just 31% responding that they were always able to report key figures on the close date.

These time pressures contributed to a wide range of concerns about the quality, accuracy and efficiency of the financial close process. The following key findings give a top-line overview of the challenges they face.

HIGHLIGHTS OF SURVEY RESULTS

- **Only 28%** trust the reported numbers
- **Staff trust the numbers much less than managers**
- **90%** are under pressure to close faster
- **Only 39%** are satisfied with the quality of the closing process

LOW TRUST IN REPORTED NUMBERS

The results clearly show that companies in all countries face significant challenges with the financial close process. The ability to trust their reported numbers was a particularly important issue, with roughly one-third of all respondents ranking this as their company's top priority. However, just 28% responded that they actually trust their reported numbers, a surprisingly low figure considering the importance of the task.

Also significant was that 30% of managers (CFOs, Controllers, Finance Directors) trust the numbers, compared with only 15% of accounting staff. Given that staff members work much more closely with the numbers, this difference suggests that doubts about reported numbers may be far more widespread than many managers even realize.

DIFFERENCES BETWEEN THE US AND EUROPE

There were some notable differences between responses from the US and Europe. The highlights include:

- **34% of US respondents trusted the reported numbers, versus 23% in Europe**
- **53% of US respondents close their books within 6 days, versus 73% in Europe**
- **Only 9% of US respondents have no second approver during the close process, versus 19% in Europe**

The first two figures are likely related, as tighter deadlines are likely to reduce quality and increase the risk for errors. The apparent time pressures in Europe may therefore have reduced their trust in the numbers in comparison to their US peers. In fact, this was a common challenge for many respondents who expressed concern about what one called “the tradeoff between accuracy and timeliness”.

HIERARCHY OF NEEDS

To gain a firm understanding of the respondents’ priorities, we asked them to rank a number of issues in the financial close process in order of importance for their organization. Nearly one-third (32.8%) responded that their top priority was to trust their numbers, while reducing overtime came in last, with as few as 3% ranking it as most important.

The top three issues were:

- 1. Trust the numbers**
- 2. Quality of the close process**
- 3. Close faster**

On the following pages, you’ll get a more in-depth look at the market survey, our methodology, highlights of key topics as well as the qualitative responses. You will also find the key insights and conclusions we gathered from the study as a whole.

II. INTRODUCTION

What we set out to achieve and how we did it

It's no secret that finance departments all over the world are under pressure to close their books faster and report accurate figures to key stakeholders. As a global provider of software for data matching and reconciliation, we at Adra Match have customers who face many of these challenges. To get to the bottom of the situation, we decided to conduct a survey across different industries and markets – with existing customers as well as non-customers.

BACKGROUND TO THE SURVEY

The idea to conduct an industry-wide survey on the challenges surrounding balance sheet reconciliations emerged at Adra Match after years of feedback from customers. Having worked with reconciliation management software for 24 years, we began to sense a growing frustration among customers struggling with the financial close process. Quite simply, we knew there had to be a better way.

DRIVEN BY CUSTOMER DEMANDS

The inspiration came following the release of a Workflow module for our ACCOUNTS transaction matching software, which helped our customers with the approval process for transaction-heavy balance sheet accounts. The response to the module was tremendous, and customers told us it was exactly what they needed – if only they could have a similar solution for all of their balance sheet accounts. With this in mind, our R&D team set out to develop an entirely new product to meet this need. To do so, they would need deeper insights into the day-to-day challenges faced by finance professionals around the world.

WANTED: TOTAL MARKET INSIGHT

Our goal was simple. We wanted to capture the maximum amount of feedback from finance managers and staff in a wide range of sectors. We wanted to hear their challenges, their experiences and their stories – *in their own words*. Hundreds of insightful responses came in, and we decided to share them in this report.

OBJECTIVES

We don't deny that our main objective was somewhat self-serving: to gain insights into the needs of finance managers regarding the balance sheet reconciliation process. Our aim was to gather as much data and feedback as possible, and to challenge people to tell us their biggest pain points.

But on top of gathering these stories, we wanted to share them with our industry colleagues. "Why?" you ask. Essentially, we are living in a more transparent world today, and sharing useful insights generally has a positive result for everyone in the end. In particular, we want to help streamline the lives of finance departments everywhere. And there is a lot of work still to be done.

METHODOLOGY

The survey was conducted among over 300 finance professionals in the US and Europe. It consisted of an email invitation to an online questionnaire sent to a mix of existing customers and non-customers in a range of industries. The study was not scientific, and we at Adra Match make no claims to statistical assurance. The results are merely indicative of certain key challenges within the industry. For those interested in a more in-depth scientific study of these issues, we encourage further research on this topic.

MIX OF QUANTITATIVE AND QUALITATIVE

The survey contained 6 qualification questions, 13 quantitative questions, one ranking question and a section for open comments. The key results from these questions are listed in Chapter III together with relevant comments and observations.

TARGET AUDIENCE: FINANCE MANAGERS

The main target audience for the questionnaire was CFOs and finance and accounting managers, but we also included controllers and other finance and accounting staff to gain a wider range of perspectives. While the survey was anonymous, responses to the qualification questions are summarized in the Respondent Profile section at the beginning of Chapter III.



III. QUESTIONS AND RESULTS

What people told us

RESPONDENT PROFILE

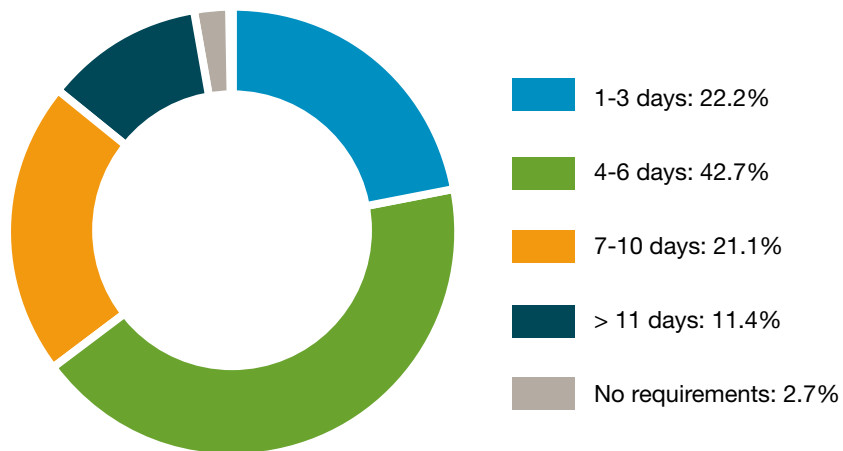
The survey gathered a wide range of responses from a total of 307 finance professionals. To get a more detailed picture of their roles, processes and organizations, we posed a number of qualification questions that help to put the results into context. The general respondent profile was as follows:

- **2/3 of respondents were from Europe, and 1/3 were from the US**
- **83% were managers, CFOs or Controllers, while 17% were staff or accountants**
- **72% were from organizations with an annual turnover of more than USD 100 million**

- **27% were from organizations with an annual turnover of more than USD 1 billion**
- **92% close their books on a monthly basis**
- **65% close their books within 6 working days**

HOW MANY WORKING DAYS DOES YOUR ORGANIZATION NEED TO CLOSE THE BOOKS?

Among the qualification questions, an important highlight was the amount of time taken by respondents to close their books. A majority of roughly 65% need six days or less to close their books, with 4–6 days by far the most common (42.7%). Europe appeared to have substantially shorter closing periods, with 72.8% closing in 6 days or less, compared with 53.3% in the US.



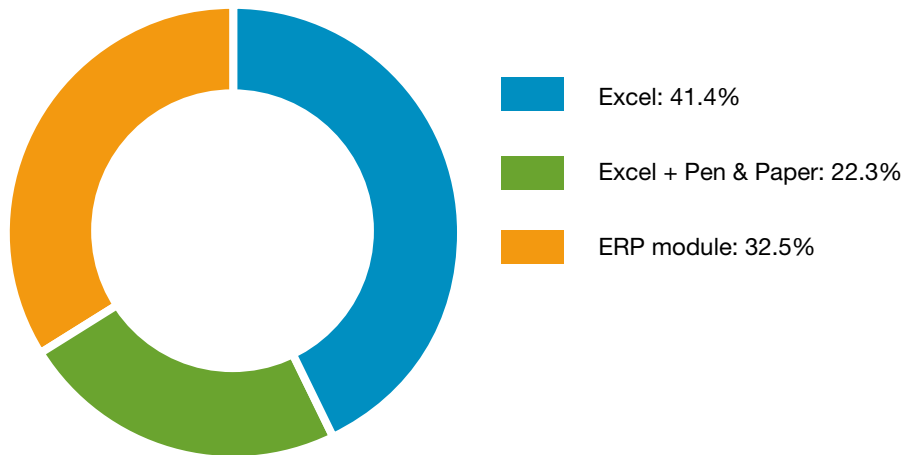
“ The biggest challenge is to achieve a faster, more reliable close, and to make it efficient. ”
(European respondent)

6 DAYS OR LESS



WHAT IS YOUR CURRENT SOLUTION FOR TRANSACTION MATCHING?

A large majority of those surveyed use Excel, or a combination of Excel and pen and paper, for transaction matching. While only one-third use an ERP module, the proportion was significantly higher in the US, where more than 45% reported using an ERP module, compared with just 24.2% in Europe.



ERP MODULE



MOST IMPORTANT CHALLENGE:

“ We do our accounting in ERP, reconciling in Excel, and entering/reporting with an in-house system – 3 different applications! ”
(US respondent)

“ Our biggest challenge is the amount of work we have to do in Excel and the number of transactions to review and process. ”
(European)

HOW DOES YOUR ORGANIZATION REPORT BALANCES AND OPEN ITEMS?

When it comes to reporting balances and open items, Excel is clearly the dominant tool among survey respondents. More than 80% use Excel for these tasks, either with a single Excel file, one file per account, or multiple files with multiple tabs.



“There’s an over-reliance on Excel. Tracking changes is always difficult.”

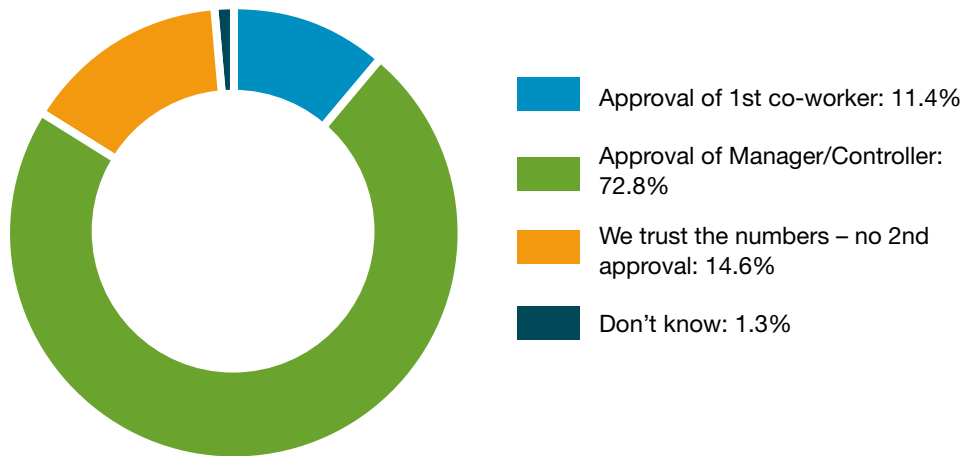
(European respondent)

“There has to be a better way to understand the status of recons without spending time looking through Excel files.”

(US respondent)

HOW DOES YOUR ORGANIZATION ENSURE THE ACCURACY OF RECONCILIATIONS?

More than 80% of all respondents have some type of second approval process to ensure the accuracy of their reconciliations, either through a co-worker, manager or controller. Although just 14.6% trust the numbers with no second approval, this figure was more than twice as high in Europe as in the US.



“ The tradeoff between accuracy and timeliness creates challenges. ”

(US respondent)

“ Our biggest challenge is ensuring accurate numbers and balances. ”

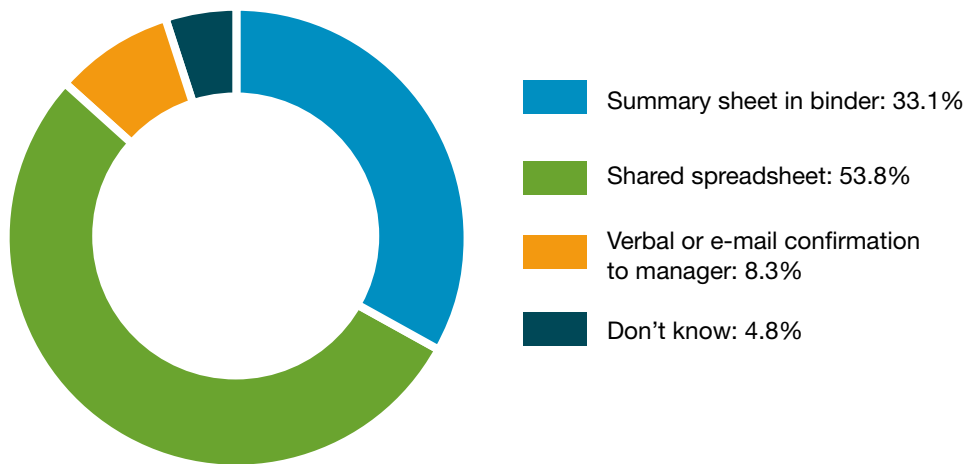
(US respondent)

TRUST THE NUMBERS – NO 2ND APPROVAL



HOW IS THE VISIBILITY OF YOUR RECONCILIATION PROCESS ORGANIZED?

More than half of all respondents organize their reconciliation process through a shared spreadsheet, whereas one-third maintain a summary sheet in a binder. Among those who simply confirm the process verbally, or through an e-mail to a manager, the proportion was significantly higher in US (16.4%), versus just 3.3% in Europe.



VERBAL OR E-MAIL CONFIRMATION TO MANAGER



“ There’s a lack of visibility as to which key controls have or haven’t been performed. ”

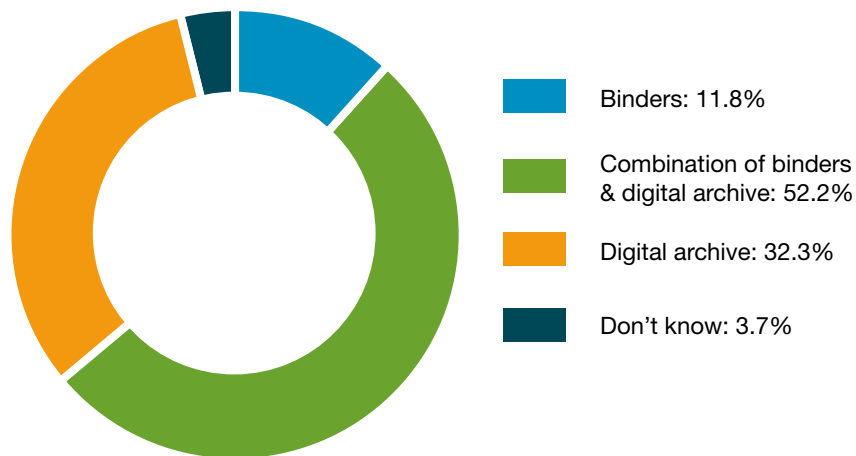
(US respondent)

“ We need to know where all employees are in the close process at any particular point in time. ”

(US respondent)

HOW ARE THE FINANCIAL CLOSE RESULTS ARCHIVED?

Nearly one-third of those surveyed use an exclusively digital archiving system for financial close results, while just 11.8% use binders. More than half (52.2%) use a combination of the two to archive their financial close results.

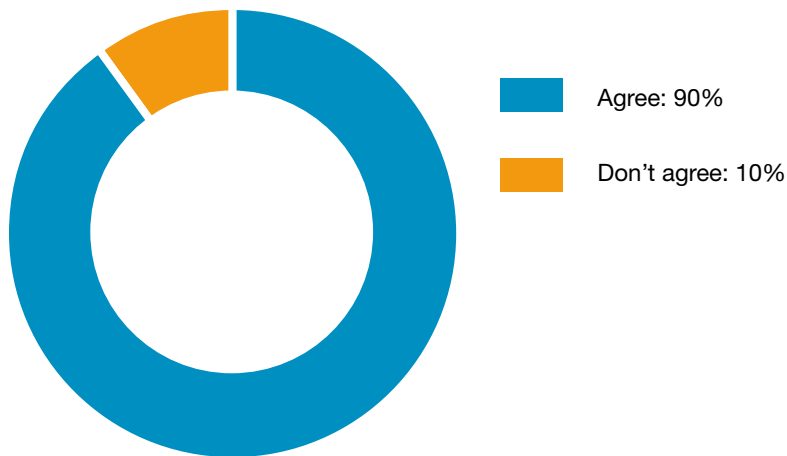


“ There are too many manual processes. The more paperless and electronically streamlined, the better. ”

(US respondent)

WE ARE UNDER PRESSURE TO CLOSE FASTER.

When asked whether they agreed with the above statement, an overwhelming majority (90%) responded that they were, in fact, under pressure to close faster. Significantly, the proportion of European respondents who disagreed was nearly twice as high as in the US, indicating that time pressures may be somewhat stronger for their American peers.



DON'T AGREE

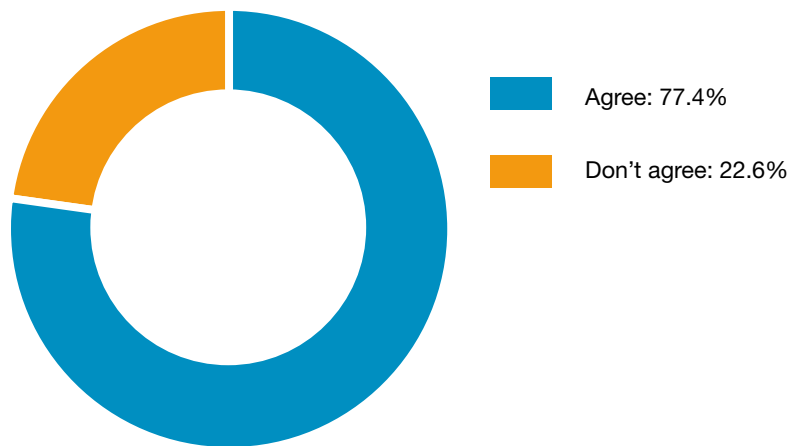


“ The biggest challenge is that management expects faster and faster closure. ”
(European respondent)

“ I would like to be able to close one week sooner than we currently close. ”
(US respondent)

WE HAVE A HIGH WORKLOAD DURING THE FINANCIAL CLOSE PROCESS.

More than three-quarters (77.4%) of those surveyed said that they have a high workload during the financial close process. Geographically, the workload appeared to be higher in the US, where 83.8% agreed with the statement, compared with 72.6% in Europe.



AGREE



“ We have too little time, too few accountants, and too many balance accounts not always reconciled. There’s no time for analysis during month-end closing. ”

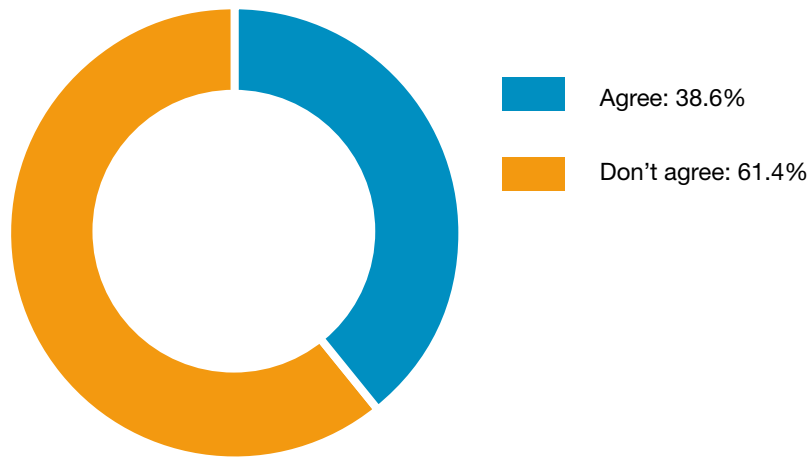
(European respondent)

“ We are a large organization, and the reconciliation processes must go faster and with better accuracy. It would be great if we could do this electronically. ”

(European respondent)

WE ARE SATISFIED WITH THE QUALITY OF OUR FINANCIAL CLOSE PROCESS.

The quality of the financial close process was clearly a challenge for the majority of respondents. Just 38.6% replied that they were satisfied with the process, although this figure was substantially higher in Europe, where more than half (50.6%) were satisfied, compared with only 22.4% in the US.



AGREE

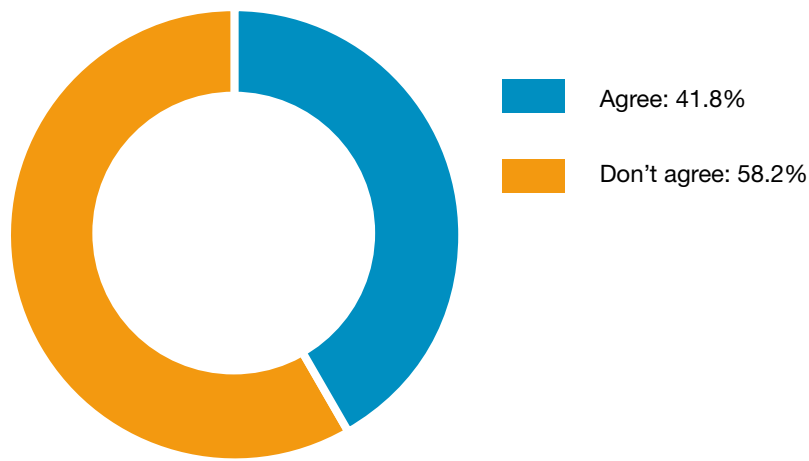


“ We struggle with manual processes and spreadsheets, rather than systems for tracking various items. Our systems don't talk to each other, which results in a duplication of efforts. ”

(US respondent)

WE ARE SATISFIED WITH THE VISIBILITY OF OUR FINANCIAL CLOSE PROCESS.

The visibility of the financial close process was also a clear challenge for most respondents. Fewer than half (41.8%) were satisfied, though the results were somewhat higher in Europe (48.4%) than in the US (32.9%).



AGREE



“ I need to be able to get an overview of what’s missing across more than 90 departments. ”

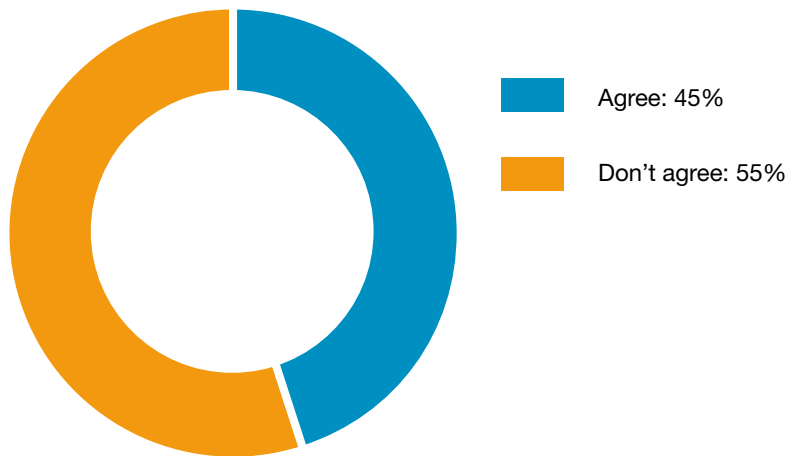
(European respondent)

“ We have to be able to track review processes with involvement from multiple individuals. ”

(US respondent)

WE WORK OVERTIME DURING THE FINANCIAL CLOSE PROCESS.

Fewer than half of those surveyed responded that they or their colleagues work overtime during the financial close process. In the US, however, the proportion was considerably higher (53.7%) than in Europe (38.5%).



“ The biggest challenge is the limited time we have to close all the activities and report to the top team. ”

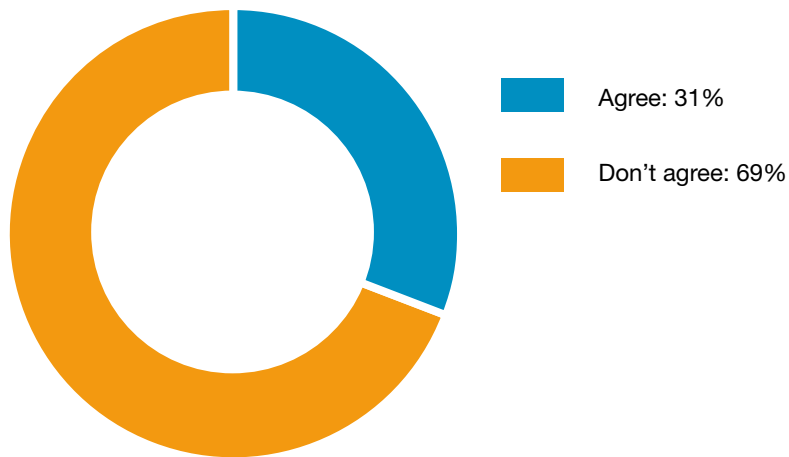
(European respondent)

AGREE



WE ARE ALWAYS ABLE TO REPORT ON THE CLOSE DATE.

Fewer than one-third (31%) of all respondents replied that they were always able to report on the close date. The deadline appeared to be a stronger challenge in the US, where roughly one-quarter (25.4%) could always close on time, compared with more than one-third (35.2%) in Europe.



“ We’re under pressure to post transactions during close, which hinders the close as reports have to be re-done to include late transactions. ”

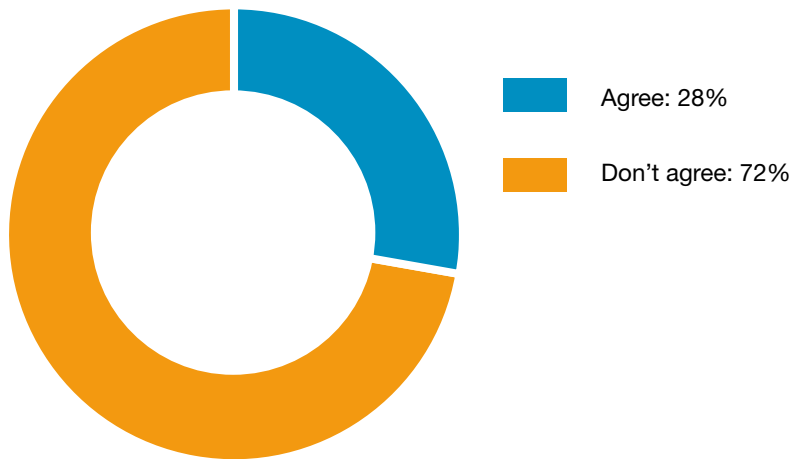
(European respondent)

AGREE



WE TRUST 100% IN OUR REPORTED NUMBERS.

In one of the more surprising results from the survey, just 28% of respondents said that they completely trust their reported numbers. This figure was even lower in Europe, where just 23.1% trusted their reporting numbers, compared with 34.2% in the US.



“ Our biggest challenges are to trust the reported numbers and close on due date. ”

(US respondent)

AGREE



RANK THE FOLLOWING ISSUES FOR YOUR COMPANY, IN ORDER OF IMPORTANCE.

In this question, we wanted to get a clearer picture of which issues were the top priorities for finance professionals. Of the following seven choices listed, the ability to trust the numbers was ranked first, followed by the quality of the close process and the need to close faster:

TOP 3 ISSUES

1. Trust the numbers 32.8%

2. Quality of the close process 28.4%

3. Close faster 19.4%

THE SEVEN ISSUES WE ASKED THE RESPONDENTS TO RANK

- Close faster
- Reduce workload
- Quality of the close process
- Visibility of the process
- Reduce overtime
- Report on close date
- Trust the numbers





QUALITATIVE RESULTS

In the final section of the survey, we asked people to tell us their biggest challenges and pain points in the financial close process. We received 176 statements in total. Here are some of their responses – in their own words.

UNIFIED/ELECTRONIC PROCESS

There are too many manual processes. The more paperless and electronically streamlined, the better.

There are too many accounts, poor systems and account reconciliations being done in too many ways and saved all over the place.

I'd like to be able to track all the month-end activities and effort required, and have a meter showing how much time is required to complete the pending activities.

We need to time the different processes in a period as close to the date of closing.

TRUST THE NUMBERS

Our biggest challenges are to trust the reported numbers and close on due date.

Our biggest challenge is ensuring accurate numbers and balances.

The tradeoff between accuracy and timeliness creates challenges.

Our challenge is ensuring documented processes and accurate numbers.

TASK MANAGEMENT

It's difficult to get everything on time from the other departments.

There's a challenge from the organization to stick to deadlines from the Finance department.

Our challenge is planning/coordinates the work of the team for the tasks involved in the closing. And we submit through a spreadsheet that is manually populated with data from various other Excel files.

We have a high volume of tasks in a short period of time. There's the distraction of detail vs. ensuring correct reports.

SYSTEM CHALLENGES

We do our accounting in ERP, reconciling in Excel, and entering/reporting with an in-house system – 3 different applications!

We aren't satisfied with the reports in our ERP system. There are a lot of bugs in the reports, so we can't rely on them. Because of that we also have problems with the reconciliation of different accounts.

SPREADSHEET ISSUES

We rely too much on Excel for checklists, and shared Excel documents crash frequently.

There has to be a better way to understand the status of recons without spending time looking through Excel files.

We struggle with manual processes and spreadsheets, rather than systems for tracking various items. Our systems don't talk to each other, which results in a duplication of efforts.

There's an over-reliance on Excel. Tracking changes is always difficult.

Our challenge is the amount of work we have to do in Excel and the number of transactions to review and process.

RECONCILIATION WORKLOAD & QUALITY

We have many units that roll into one consolidation, and controlling the input in these units is cumbersome.

We have too little time, too few accountants, and too many balance accounts not always reconciled. There's no time for analysis during month-end closing.

The biggest problem is comparing and reconciling.

We need to get a quick and accurate overview of the balances and open items to produce reliable figures under heavy time pressure.

We are a large organization, and the reconciliation processes must go faster and with better accuracy. It would be great if we could do this electronically.

OVERVIEW

We have to be able to track review processes with involvement from multiple individuals.

We need to know where all employees are in the close process at any particular point in time.

There's a lack of visibility as to which key controls have or haven't been performed.

We need to ensure status across multiple entities and multiple regions.

We need the full overview of the process to make sure everything is done in the right order.

I need to be able to get an overview of what's missing across more than 90 departments.

FAST CLOSE

The speed of close and coordination is a challenge. There are too many manual processes.

I would like to be able to close one week sooner than we currently close.

We could use a timetable of the month-end close process to speed up the closing.

The biggest challenge is the limited time we have to close all the activities and report to the top team.

The biggest challenge is that management expects faster and faster closure.

The biggest challenge is to achieve a faster, more reliable close, and to make it efficient.

We need to move to monthly hard close D+5, fully documented and with a complete prepare/review cycle.

DATA ACCESS & QUALITY

Just being able to get all the data is a challenge.

We need to ensure timely receipt of applicable documents.

I need to have all available data that comes in from non-mechanized sources.

Getting numbers from teams outside of Finance is difficult.

We're under pressure to post transactions during close, which hinders the close as reports have to be re-done to include late transactions.

COMMUNICATION & COORDINATION

I struggle with some teammates updating our close checklist or communicating where they're at in the close process.

It's a challenge to coordinate between multiple sites and departments.

We need to get the team to cooperate, and to help each other to speed up the process.

ANALYSIS

There's not enough time for deeper analysis before release of figures.

We have to be able to close faster and more accurately to allow for more value-added activities.

We need to deal with large transaction volumes and at the same time make qualitative analysis.

We need more time for analysis.



IV. KEY INSIGHTS AND CONCLUSIONS

CORRELATIONS

To draw on the deeper connections between responses on a wide range of issues, we analyzed the survey results using a statistical analysis software. These correlations show that a close process with lower quality and visibility leads more often to missed deadlines, longer closer periods, higher workloads and lower trust in the reported numbers. The most significant correlations were as follows:

QUALITY & VISIBILITY

The more companies are satisfied with the quality and visibility their close process, the less pressure they feel. Satisfied employees and managers also rely more on their reported numbers and are much more likely to report on close date. On the whole, better quality and visibility meant that fewer days were required to report.

TIME PRESSURE

Companies with higher pressure to close faster experience very high workload, work more overtime and are less satisfied with the quality and visibility of the process. Interestingly, the amount of perceived pressure appeared unrelated to the number of days in which the organization has to close.

TRUST IN REPORTED NUMBERS

Companies that trust their reported numbers have high satisfaction with the visibility and quality of the process. They also report on close date more frequently.

NUMBER OF EMPLOYEES IN FINANCE DEPARTMENT

The larger the finance department, the more overtime its staff is likely to work. The pressure to close faster also increases with the size of the finance department.

REPORT ON CLOSE DATE

The companies that are able to report on close date are those with tighter deadlines. The same companies also rely more on their reported numbers and are more satisfied with the visibility and quality of the closing process. Most of these are larger companies.

WORKING OVERTIME

Unsurprisingly, the companies with most overtime are those with high workloads and pressure to close faster. Still, these high-overtime companies do not meet deadlines as frequently as those with higher quality and visibility. They are also much less likely to rely on their reported numbers.

CONCLUSIONS

Our ambition with this study was to gather in-depth insights into how organizations work during the financial close process and what challenges they experience. We believe the results give a good overview of the current state of a typical finance department. Some responses were exactly as expected. Others were more surprising. Still others raise serious questions about the quality, speed and reliability of the financial close process as a whole.

Looking more closely at the top 3 most important issues during the close process, we are able to make the following conclusions:

LOW TRUST IN REPORTED NUMBERS

Respondents told us the most important factor was the ability to trust their reported numbers – yet ironically only 28% trusted their figures.

Also notable was that 30% of managers (CFOs, Controllers, Finance Directors) trust the reported numbers, compared with just 15% of accounting staff. Since the staff is much closer to the numbers, this raises some important questions about the differences. Could it be that respondents with management roles trust the numbers more on an assumption that the numbers are correct simply because the staff has submitted them?

The qualitative responses give some very good insights into the reasons behind the low level of trust in reported numbers. One key factor appears to be the overall quality of the close process.

UNCERTAIN QUALITY OF THE CLOSE PROCESS

Only 39% of respondents are satisfied with the quality of the close process, and there are many reported issues that affect this quality. A high workload in combination with very tight deadlines creates a clear tradeoff between accuracy and timeliness. This is particularly true when combined with poor overview, communication and coordination processes, data access issues and using spreadsheets as the primary tool for the close process.

PRESSURE TO CLOSE FASTER

90% of those surveyed responded that they are under pressure to close faster. We expected this figure to be high, but not that it would hold true for 9 out of 10 companies. The pressure comes not only from shareholders and top executives but also very much from within. Many responded that they personally wanted to shorten the close process in order to be able to spend more time on value-added activities.

FINAL INSIGHTS

The survey results reveal a wide range of challenges surrounding the financial close process, many of which are strongly interrelated.

We found no evidence, for instance, that a short timeline in itself necessarily creates widespread challenges. But imposing short deadlines without ensuring the quality of the processes is to invite a number of the problems mentioned by survey respondents. This came out clearly in the correlation analysis.

We believe that in order to achieve a reliable and efficient financial close process, it is important to take a holistic approach in which the entire process is reviewed, and where all of these challenges are addressed. By taking efforts to increase quality and visibility in the closing process, companies can boost trust in their reported numbers while at the same time minimizing the time needed to close their books.



LEARN MORE ABOUT HOW TO STREAMLINE YOUR MONTHLY CLOSE PROCESS WITH PURPOSE-BUILT SOFTWARE.

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Adra Match has 20 years' experience in providing software for advanced Data Matching and Reconciliation Management. Our products are primarily used by accounts departments to automate reconciliations. Automatic reconciliation helps organisations to work smarter and quicker, with better control and accuracy. Our solutions streamline and standardise accounts departments and give them an overview of the company's balancing process at all times. Adra Match has its head office in Oslo, Norway and offices in Sweden, Denmark and United Kingdom. Among our 3,000 customers are Hertz, GE Capital, Old Mutual, IKEA and Telenor.