Driven by regulatory requirements, market pressure and management needs, the need for companies to publish their financial results earlier has not only become a necessity but is also seen as proof of corporate efficiency and performance.

Institutional and regulatory trends in terms of IFRS, LSF, SOX, and the EU Transparency Directive, etc. have stimulated demand from investors seeking more rapid, and even more frequent financial reporting, and from internal management clients who request faster access to corporate financial information. Reducing financial close/reporting cycles makes it possible to meet requirements for decision makers and guarantees a capacity for reactivity should the company be short of achieving its objectives.

The time saved, and the productivity gains generated by these improvements, enable Finance teams to focus on the company’s highest value-added activities, such as management analysis and the development of action plans.
French groups have made significant progress in this area. The question now is whether or not they should go further in this direction. If so, they must ask themselves:

/ How they can reduce financial close/reporting cycle times further while improving the quality of service delivered to in-house and external clients ;
/ What new technological levers can be brought into play
/ How can their close/reporting cycle Fast Close project serve to further strengthen the finance function worldwide?

The first part of this analysis sheds some light on the financial-closing situations of the CAC 40 groups and their position relative to those of their American counterparts.

The second part of the study is devoted to pragmatic ways of optimizing projects to reduce closing/reporting cycle times.

**THE CAC 40 POSITION ACCORDING TO THE WAVESTONE OBSERVATORY OF FINANCIAL CLOSE/REPORTING DEADLINES**

We regularly monitor trends in financial reporting deadlines of listed groups in France and put these into perspective with expected reporting deadlines of groups in other countries.

Benchmark deadlines of annual financial statement publications
35% of CAC 40 groups publish their annual financial statements within a period of less than, or equal to, 30 working days, with an average post-closure publication time of 34 working days at end 2015, stable as compared to 2014.

However, there is still a significant difference of more than 20 trading days between the earliest and the latest financial publication dates (allowing for the special situation of the Lafarge/Holcim merger).

**2015 publication deadlines of CAC 40 Groups**

![Diagram showing the publication deadlines of CAC 40 Groups from January to March 2016.](image-url)
Regarding the publication dates announced, it seems that certain groups have increased the number of days between the date of financial closure and the publication of results. This increase however is still limited. Only four CAC 40 companies show a difference of 4 days or more. The 20-day increase between 2014 and 2015 reported by Lafarge Holcim group stems from the merger of the two companies in 2015.

Position of French groups vis-à-vis US groups

Still a considerable difference in financial closing/reporting cycles between French and US companies

Average full-year financial reporting deadlines for Dow Jones and Nasdaq companies remained stable at 17 - 24 trading days between 2014 and 2015. At the same time, the corresponding number of trading days
for French CAC-40 companies increased from 33 to 34.

The difference between the two countries is still significant. Reducing the number of days between the closing date and the financial publication will require a significant effort on the part of French companies. Many French companies are asking whether it is necessary to reduce this gap with the knowledge that, in certain cases, this could call for major investments in terms of IT systems.

The solution comes essentially from in-house and external clients requirements regarding potential advantages offered by continuing to reduce financial close/reporting time frames:

/ Advantages for companies to publish their corporate results at the same time as their main US competitors
/ The ability to gather management information more rapidly to improve the management decision-making process. For example, being able to hold monthly EXCOM meetings as early as one week after the end of the month to examine consolidated results.
/ Opportunities to benefit from/leverage necessary IT systems investments
/ Positive impact on the general optimization of management processes

Sector differences
A comparison of financial publication deadlines by sector reveals relatively similar trends on both sides of the Atlantic: it would seem that the number of days between the dates of financial close and reporting vary from one sector to another depending on the specific closing-process characteristics of each sector.

In France, CAC 40 Groups operating in the financial sector are the fastest to close their books (at 29 trading days on average) while, in the US, technology companies close their books within only 11 trading days.

The difference between the result-publication dates of CAC 40 and Dow Jones companies remained overall however high in 2015.
APPROACH AND BEST PRACTICES TO ENSURE A SUCCESSFUL FAST CLOSE PROGRAM

Publishing results more rapidly requires a Fast Close project designed specifically to reduce the time between the dates of financial closure and publication, while maintaining or increasing the quality of the results prepared.

Given the progress already accomplished by the French groups, the feedback we have gathered on projects designed to reduce financial close/reporting cycles has enabled us to structure a two-fold improvement approach:

Stage 1 – “Check up”: verify all the fundamentals are in place
This consists in quickly checking that all the best practices developed by groups over the past years are already in place and working efficiently. For example:

**Process**
- Anticipate the work required to close the accounts;
- Carry out intermediary or anticipated closings (pre-closing and hard close);
- Apply the materiality principle and use materiality thresholds (for example: integrate these thresholds in the reporting systems to lighten the workload of consolidation-set controls and automatic processing);
- Simplify operating rules (payment and billing cut-off dates, etc.) and implement inter-company management-tool flows;
- Implement performance indicators and dashboards to identify any malfunction at closing;
- Install a continuous improvement process.

**Resources**
- Clarify the roles and responsibilities of the different players involved in the closing process and adopt a more efficient way of distributing the workload - install flexible workload allocation
- Reinforce accounting-management coordination
- Put together central teams focused less on exercising the role of expert but more on leading and improving the continuous improvement of processes, with regard to reducing time-frames and improving quality;
- Training

**Culture**
- Greater stakeholder involvement - get the businesses involved;
- Develop and deploy the culture of sharing roles and responsibilities;
- Improve communication between stakeholders;
- Build up documentation on processes (finance portal);
- Promote the culture of anticipation by assessing upstream the impact of the key events at pre-close and hard close.

This examination permits the identification of areas of improvement that could be treated as “quick wins”.

**Technology**
- Integrate manual based systems automation and leverage new technologies;
- Step up process efficiency review cycles.

Stage 2 – redesign key processes and optimize process monitoring
After the first Stage, identify the processes, or areas (closing or consolidation) that are preventing a further reduction in the financial close/reporting cycle. These processes (or areas) require in-depth overhaul. “Lean Finance” techniques are often very useful to rapidly identify the solution while ensuring the commitment and alignment of teams.

The next step entails improving the monitoring of all processes by implementing the KPIs and monitoring techniques enabling the financial departments of the entities and the Group to optimize the management of processes and anticipate any potential problems.

This monitoring-improvement approach can be underpinned by new IT systems solutions, automation and the monitoring of the «Record-to-Report» process in particular analyzed below.

**NEW TECHNOLOGY DRIVERS**

Once processes and organizational models have been optimized, innovative technologies designed to enhance efficiency are used for “Record-to-Report” management processes and financial-close monitoring.

Classical corporate account-close and financial-reporting processes are still complex and decentralized, and significantly impede accounting and financial department performances. In the light of current trends in internationalization, organizations are being confronted with sharp increases in transaction flows that are likely to increase the peak in activity levels at financial close and the risk of financial-operation error.

In addition, numerous companies have several single-function and heterogeneous solutions, and use disconnected office applications to manage Record-to-Report processes. Companies using particularly fragmented manual processes (Excel, electronic mail, etc.) suffer from a lack of automation and collaboration. This lack of unification of tools and systems signifies that accounting and finance teams have to deal with a multitude of manual administrative and approval controls.

Driven by innovative technology, the market for Record-to-Report (R2R) solutions is undergoing a significant change. The key players are offering a large range of
financial-close monitoring functions: automation, data-sharing, access to dematerialization or in SaaS mode, archiving, establishing a record for data and audit trails, etc.

Software vendors, some of which are pioneers according to the latest Gartner study, invest massively in innovative technology development. For example, Trintech’s “Cadency” solution offers real-time, enterprise-wide transparency on the closing progress status, and the activities related to financial closing. “Cadency” offers the ability to standardize and orchestrate financial closure tasks and manage dependency issues between the various departments and players involved in the financial close process and shorten the R2R cycle by automating the management of ledger entries, their validation, approval and accounting.

Other vendors, who are expanding their solution portfolios to include Cloud offerings, are also convinced of the greater potential and accessibility of this model compared with one that is hosted by the client. BlackLine, for example, has developed an integrated solution whereby a communal Cloud platform automates and accelerates the financial close and other key accounting processes. This eliminates the lack of efficiency and the risk of error inherent in processes based on the use of spreadsheets, while offering enhanced visibility on the underlying financial data. They also include interesting intercompany processing functions.

Gartner Record-to-Report (R2R) tool classification

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As of May 2016

Source: Gartner May 2016

**5 Levers & 3 Key Success Factors for an Efficient Fast Close Approach**

With the feedback received on projects carried out to reduce financial close deadlines we have drawn up a list of five recommendations:

1. **A common objective should be defined and shared at a very early stage across the Group:** optimizing financial closing processes requires a cross-sector approach that notably entails greater collaboration between accounting and management-control teams and upstream services.

2. **The need to adopt a new working approach:** designing a new, long-term process implies adopting a working approach that is more extensive and paradigm changing than simply optimizing an existing process. This requires rethinking the base of the new processes in relation to the objectives to be met, and often demands a new way of working.

3. **Capacity to generate “Quick Wins” and target-achievement milestones:** the first quick wins reflect the ability to progress which encourages companies to go further and mobilize their teams. By achieving objectives in a multi-stage approach it is possible to progress while maintaining a permanent control of the financial-close process.
Involve and allocate responsibility to all entities:

Achieving financial-close deadlines essentially requires the high level of implication of all stakeholders. The approach adopted should therefore include all entities, which often totals several hundreds/thousands – and specific change management activities need to be focused on them all.

Implementation of a continuous improvement approach: this approach can be installed at the beginning of the project by setting up a Financial-Close Observatory to act as a financial-close monitoring cockpit.

Key factors to ensure a successful Fast Close project

Our feedback on Fast Close projects has enabled us to identify three factors that are key to ensuring the success of a project to achieve earlier closing:

1. Pilot the project: a crucial factor

The implication of operational staff upstream is indispensable (description of existing processes / establishing target process) so as to promote the acquisition and implementation of recommended solutions and avoid the “tunnel” effect (loss of enthusiasm and support). Strong support from the Group’s General Management, conveyed by the GM Divisions is vital throughout the entire project.

Real-time risk management integration and precise, regular reporting (dashboards for example) are also required to anticipate difficulties and ensure that all stakeholders are kept “in the loop”.

2. Think of the target process as a whole

Treat the financial-close process in its entirety: from management-data input to the production and/or publication of financial information.

3. Rapidly produce and share the first quick wins: a prerequisite for preserving the dynamic drive of the project!

Accounting and financial teams must be accompanied in implementing the first target closings. To achieve this, deliverables should serve as a showcase for the project by seeking efficiency, operational usefulness and pragmatism.

FAST CLOSE PROJECT - A MEANS OF MOBILIZING FINANCIAL FUNCTIONS WORLDWIDE

A Fast Close project implies the mobilization of all finance teams around the world and this is a prerequisite for success. This requires establishing a clear objective that is shared by all of players in the finance function beforehand. For a major international group comprising a few hundred entities, for example, the consolidation of accounts and financial publication requires the strong implication of all of its finance teams and their ability to respect deadlines and the quality of their data.

As such, communication and change management actions are key to ensuring the success of the project. This strategy is underpinned by three key points:

1. Structure the message
2. Assign responsibility
3. Regular communication throughout the financial community

Structure the message:

- Communicate objectives and the state of progress to all financial teams early on, and throughout the process (via webinars, mails, communication kits)
- Implement a specific support system if any entity should need clarification on the basic principles of the Fast Close approach

Assign responsibility:

- Involve all players on the ground in the implementation of their own action plans
- Identify individual points of contact for each region to coordinate the project at the local level
- Implement package validation levels for financial directors to enhance data quality

Regular communication throughout the financial community:

- Organize exchanges with the finance teams everywhere to obtain regular updates on the closing situation.

WHAT A FAST CLOSE PROJECT SHOULD BE:

- A coherent project (pedagogical approach based on challenges) a positive event for in-house teams (implementation of a Fast Close network and a visible communication strategy via Intranet, team room, information letters, etc.)

WHAT A FAST CLOSE PROJECT SHOULD NOT BE:

- A rush to carry out work just to close the accounts
- Sacrificing data quality / substance for speed
- Heavy, time-consuming process for low added value
- Working in an isolated fashion, weak communication, unclear objectives, heterogeneous discipline
Implement task-forces to reinforce collaboration world-wide and the exchange of best practices;

Give a monthly feedback of the quality of the entities’ closings by sending closing-date monitoring indicators and data-consistency control reports.

In addition to ensuring the success of the Fast Close project, these measures should further the progress made by the finance teams across the world and, through the work carried out collectively, enhance communication and the ability to collectively meet performance improvement objectives of in-house and external clients.

The progress achieved by French and other international groups, has made in-house and external clients increasingly more demanding with regards tighter reporting deadlines, greater reliability of financial data and accounting transparency.

Although a lot of progress has already been made, there is still scope for improvement.

In addition to the advantages noted above, the results of groups continuing to do better is perceived as a competitive advantage and a sign of organizational agility.

Launching a “Fast-Close” project represents an opportunity to improve performances for the company as a whole, as well as to boost its level of reactivity vis-à-vis its clients in a constantly-changing competitive landscape, improve monitoring, step up decision-making and strengthen the group’s market image.

In addition, we are seeing the emergence of new trends in the optimization of accounting and financial information production processes. Designed to meet regulatory and operational demands, these processes offer the ability to rapidly access data essential for decision making, and to take into account transparency imperatives required by the financial markets. This trend requires applying the «lean management» continuous improvement principles, which were introduced by the industrial sector, to the finance function as a whole. This operational approach entails the elimination of all forms of waste and delay. To overcome their future challenges, therefore, finance departments will be required to successfully apply «lean» concepts so that they can enhance the finance function at the global level – to the satisfaction of both their internal and external clients.