

E-BOOK

# "Close the Books" Survey Results – 2020 Edition

*Insight and foresight for your close*



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## Executive summary

Love it or hate it, closing the books is a routine part of our lives. At Sage Intacct, we help thousands of customers streamline their close process. As part of our ongoing commitment to helping you be as efficient as possible, we've conducted our annual "Close the books" survey to see what's working, what's not, and what the future holds when it comes to the close.

We surveyed businesses across a variety of industries and accounting solutions and asked specifics about their close process. In this eBook we have summarized our findings, and will walk you through the detailed results. We will share "best in class" statistics, customer success stories, and look towards the future as technology continues to shape the landscape of closing the books.

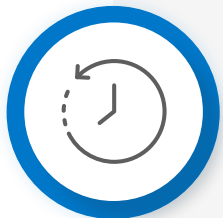


### Key learnings



**“Best in class” close is two weeks or less**, but there are many factors that impact this, with investigating anomalies and manual effort being the biggest contributors to a longer close.

Those who do **more than 75%** of their journal entries manually **had a close time of 33% more on average.**



Those who spent **more than 20 hours** consolidating had a close process of **30% longer than those who spent 10 hours or less.**

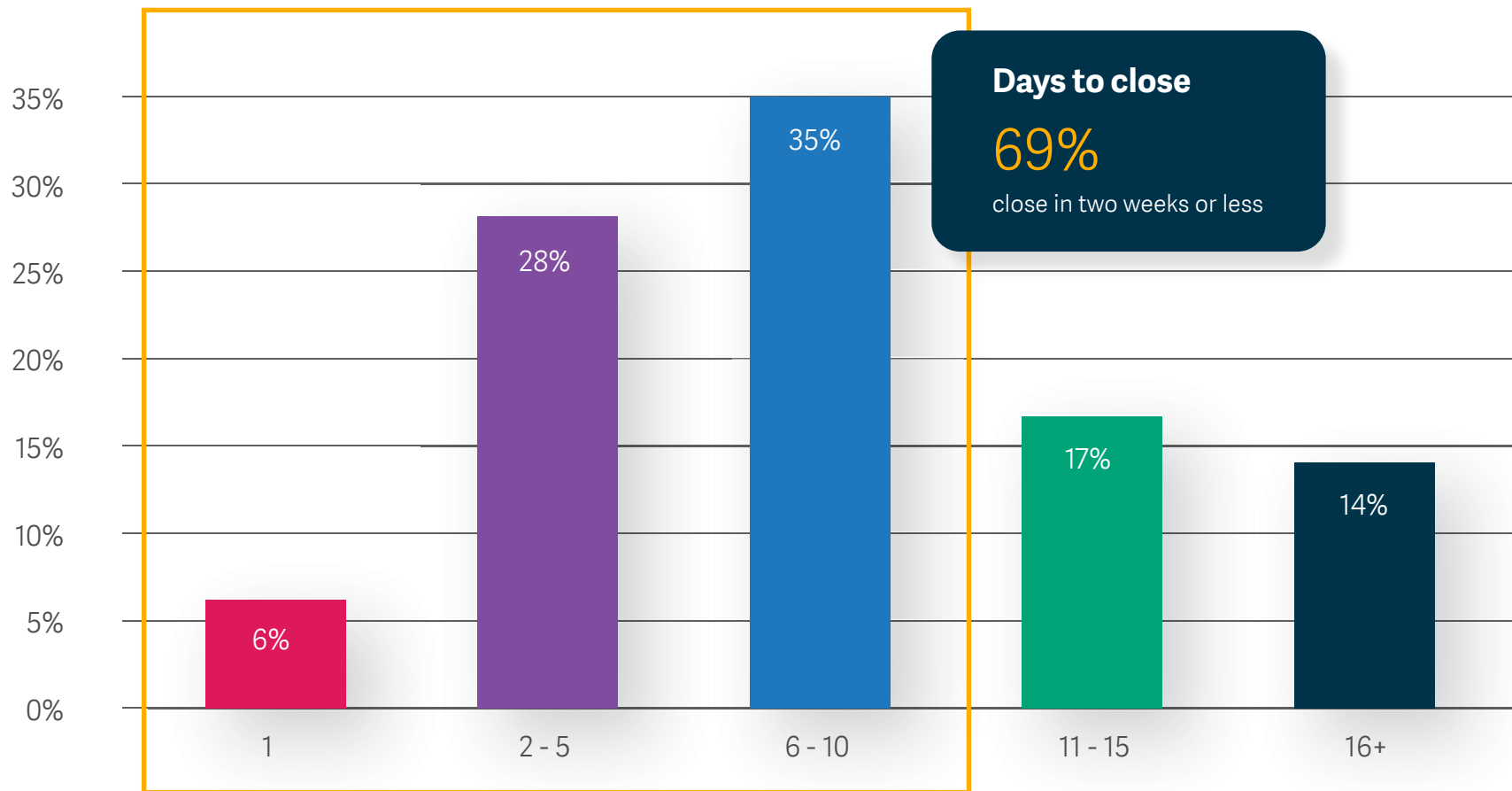
Advancements in technology, such as the cloud and AI, can help **streamline the close processes** with features such as **system automation, high availability, and the ability to continuously close.**





## Time to close impacted by size and industry

Closing the books takes time – from days to weeks on end. **“Best in class” organizations close their books in two weeks or less.** While many factors can impact the time to close, including business complexity, technology, and headcount, **the biggest factors affecting close were business size and industry.** It’s important as your business grows to review your process for efficiency.

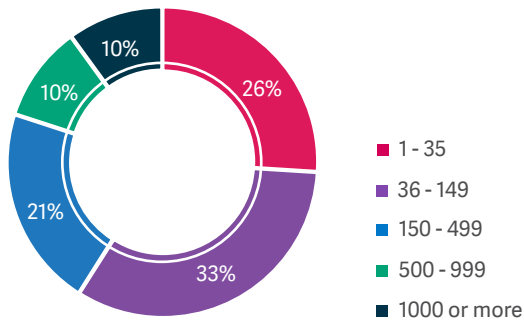


# Survey methodology

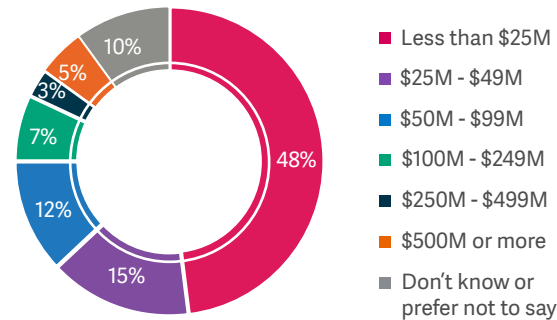
Survey participants were from a variety of company sizes, industries, and job titles. Companies ranged in size from under 35 employees to over 1000, while revenues ranged from under \$25M to over \$500M. **Over 65% had multiple legal entity businesses.**

About half of the respondents held an executive or controller job title, with another 25% manager of finance or accounting. Over 70 different industries were represented, with not for profit, healthcare, construction and software among the largest responding. This survey was conducted in February 2020 with participants from small-to-mid-sized businesses. 430 responses were received.

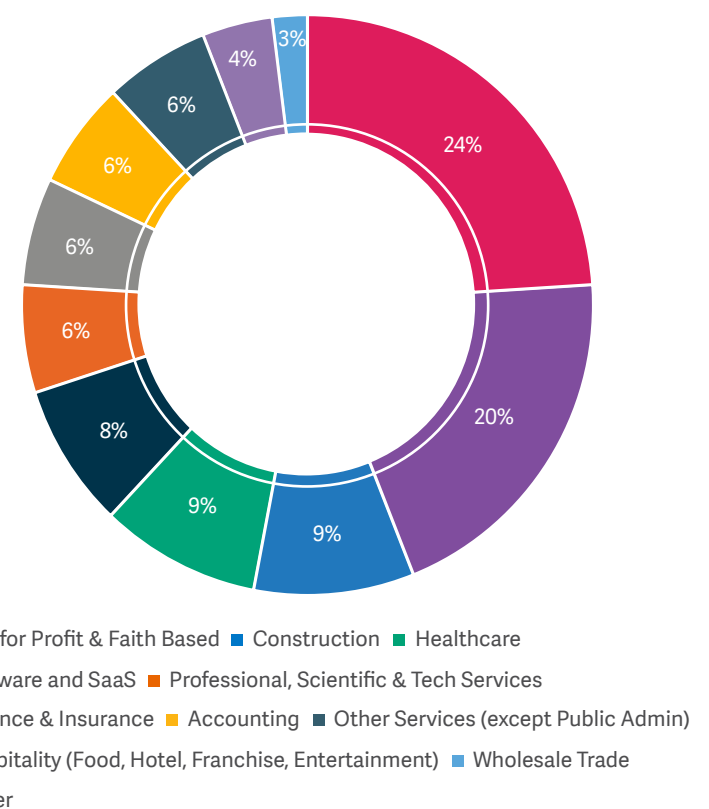
Number of employees



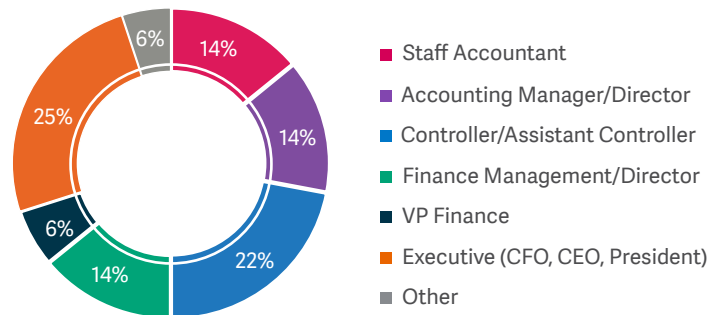
Company revenue



Industry



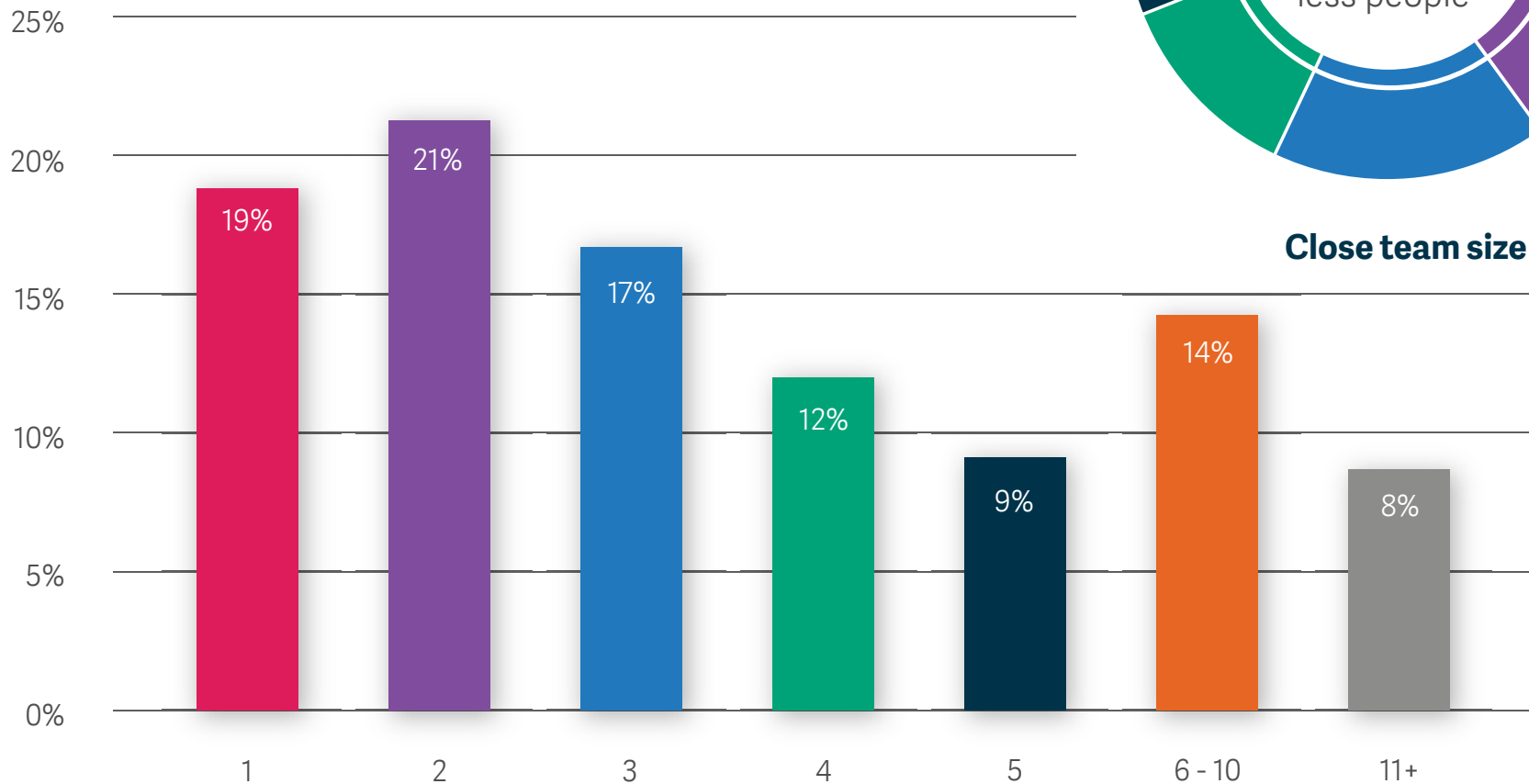
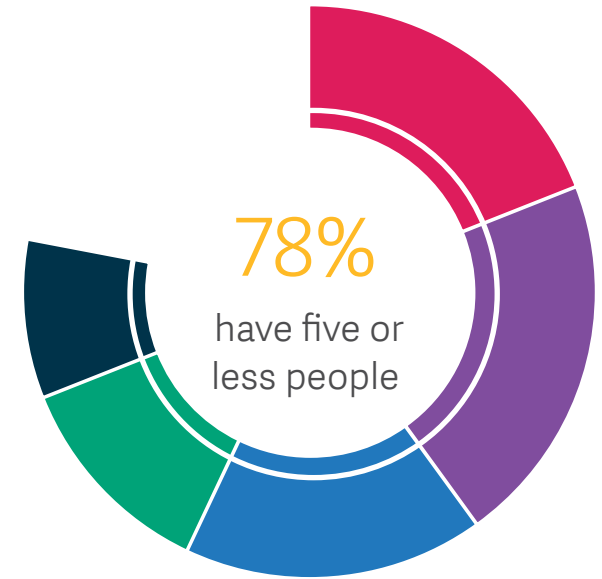
Job title



## What do close teams look like?

### Small close teams are the norm

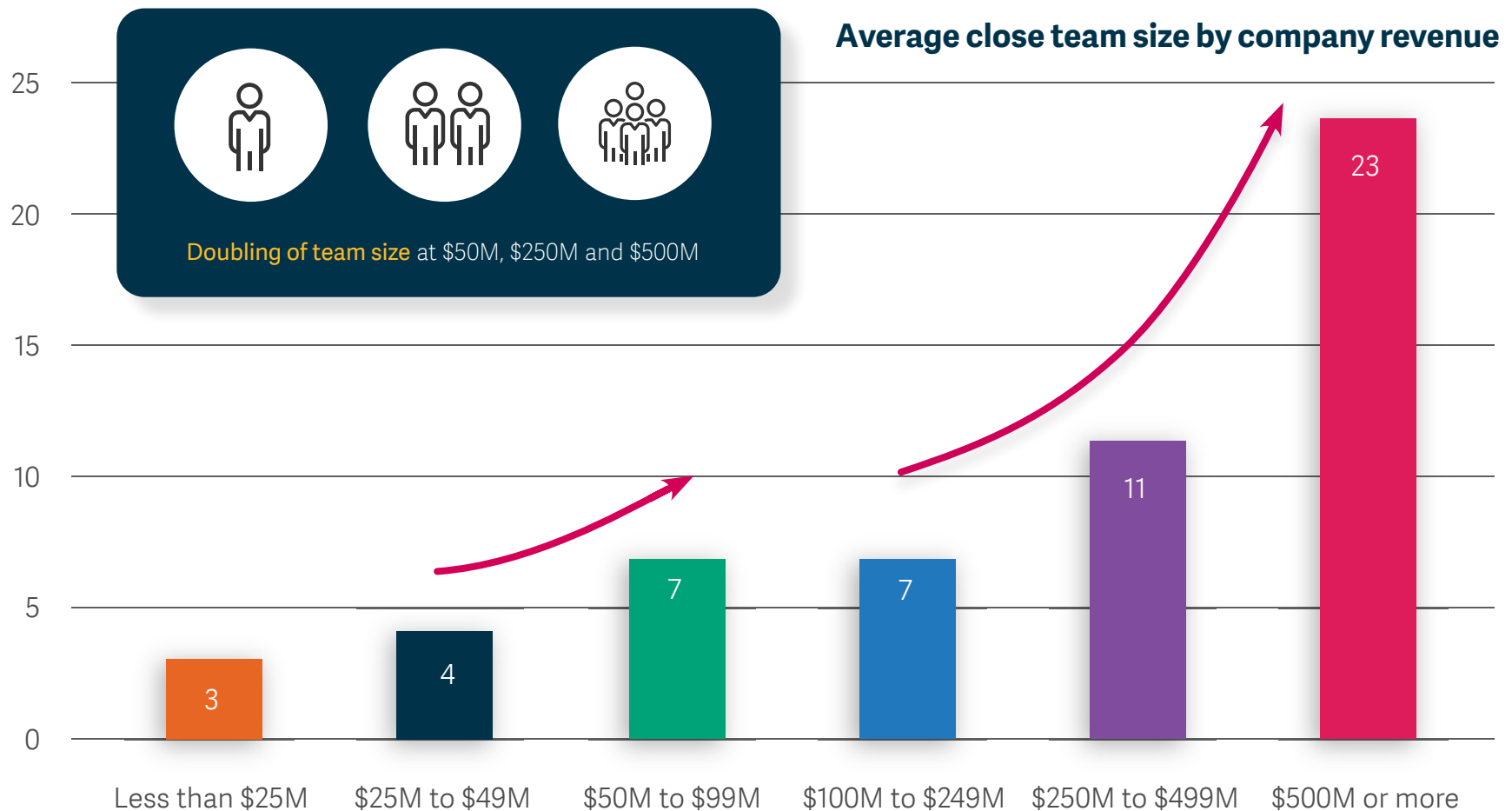
Accounting teams closing the books are small and efficient, with 40% having two or fewer people, and **78% having five or less**. This is consistent with the prior years results.



## Results - teams

### Close team size increases as the business increases

Revenue and close team size are related. The higher the revenue, the larger the close team. There's a near **doubling of team size** at the **\$50M** revenue mark, and again at **\$250M** and **\$500M**, respectively.

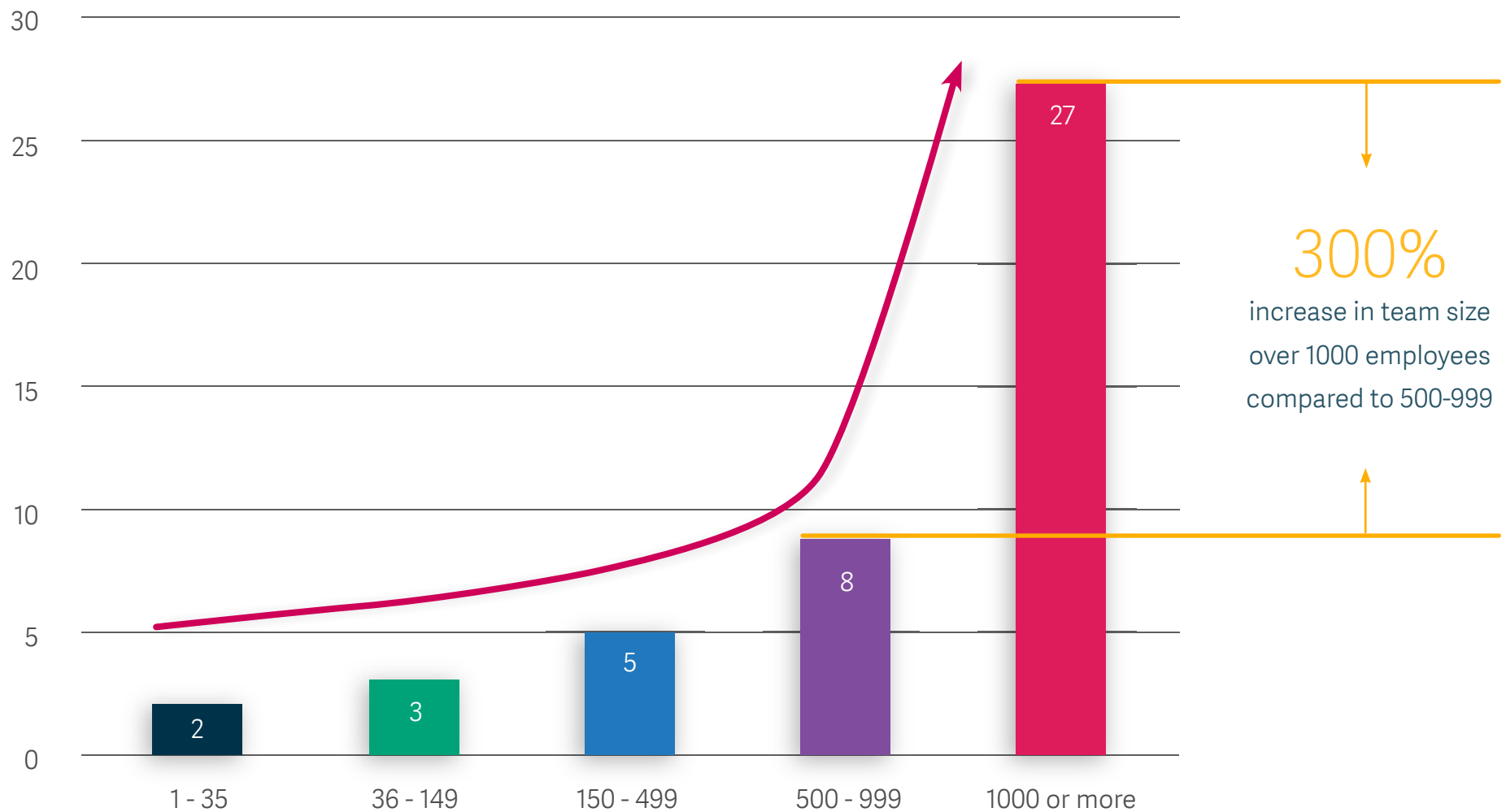




## Results - teams

Similarly, the **close team also grew as the total number of employees grew**, with **jumps at the 150, 500 and 1000 employee count**. This is consistent with the similar growth in company revenue. At these critical junctures, it's important to evaluate the tools teams are using to ensure collaboration and workflow.

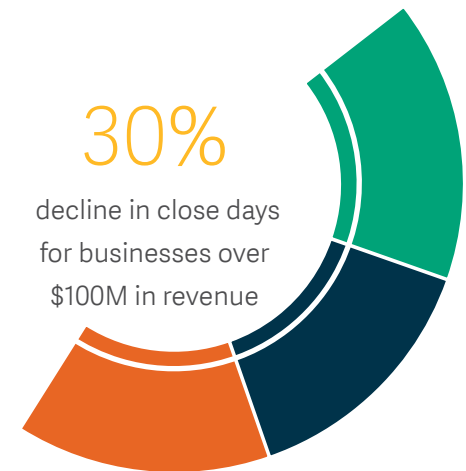
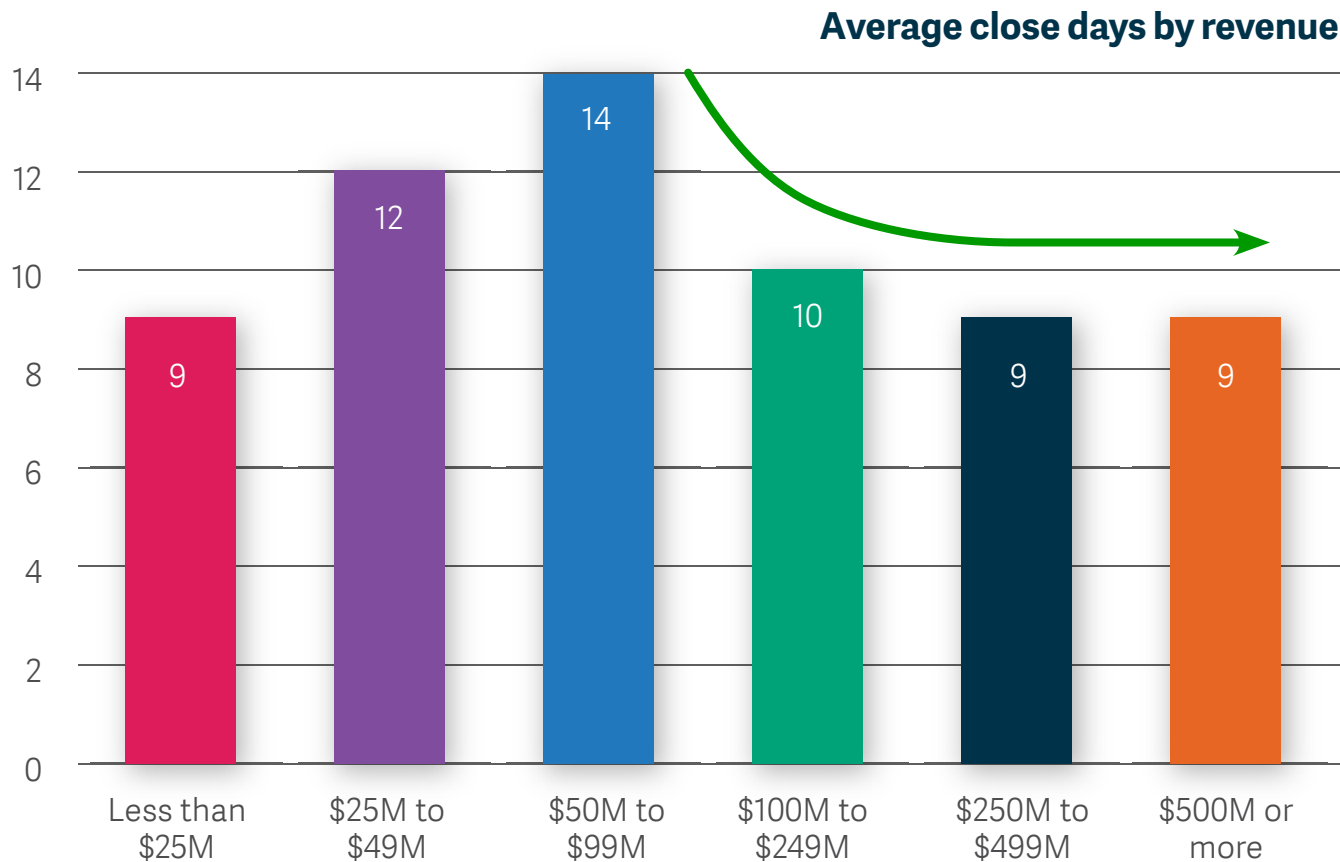
### Average close team size by employee count



## How do organizations impact the close?

**The average number of days to close the books increases as revenue grows – to a point.**

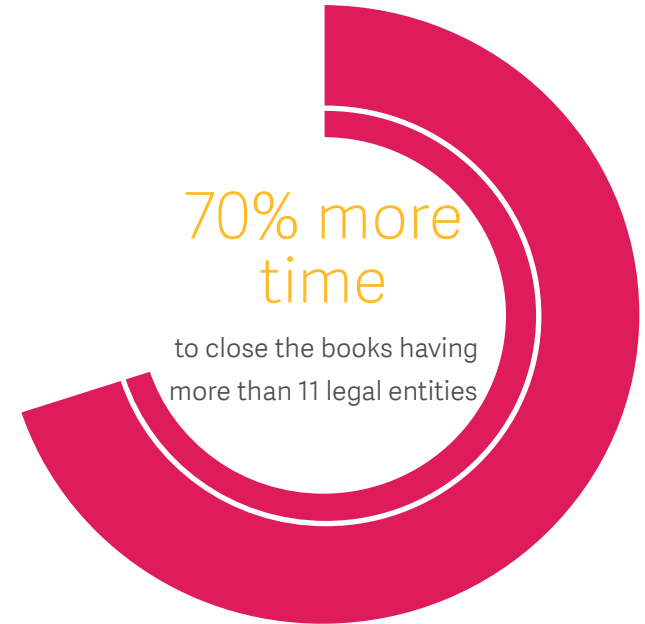
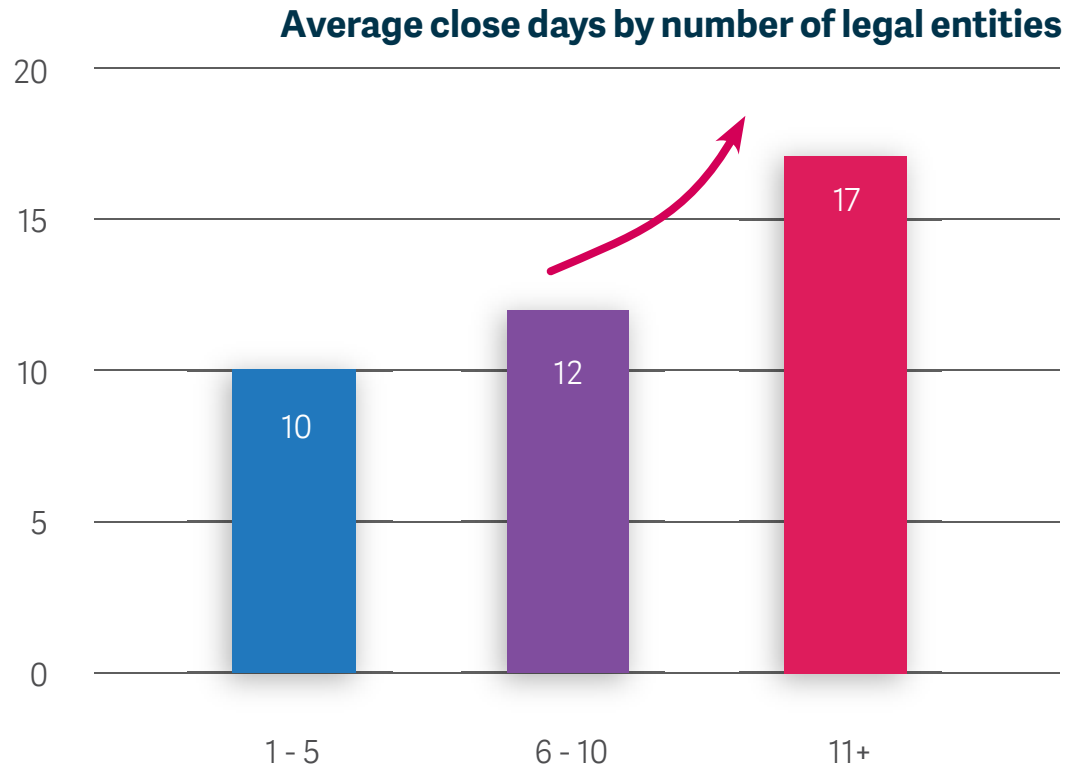
**Businesses over \$100M in revenue saw a decline in the average number of close days by 30%.** This can be due to efficiencies gained by increased team size and technology solutions deployed across the organization. Note: there was no significant reduction in close days in companies with revenue over \$250M.



## Results - organizations

### More legal entities = longer close

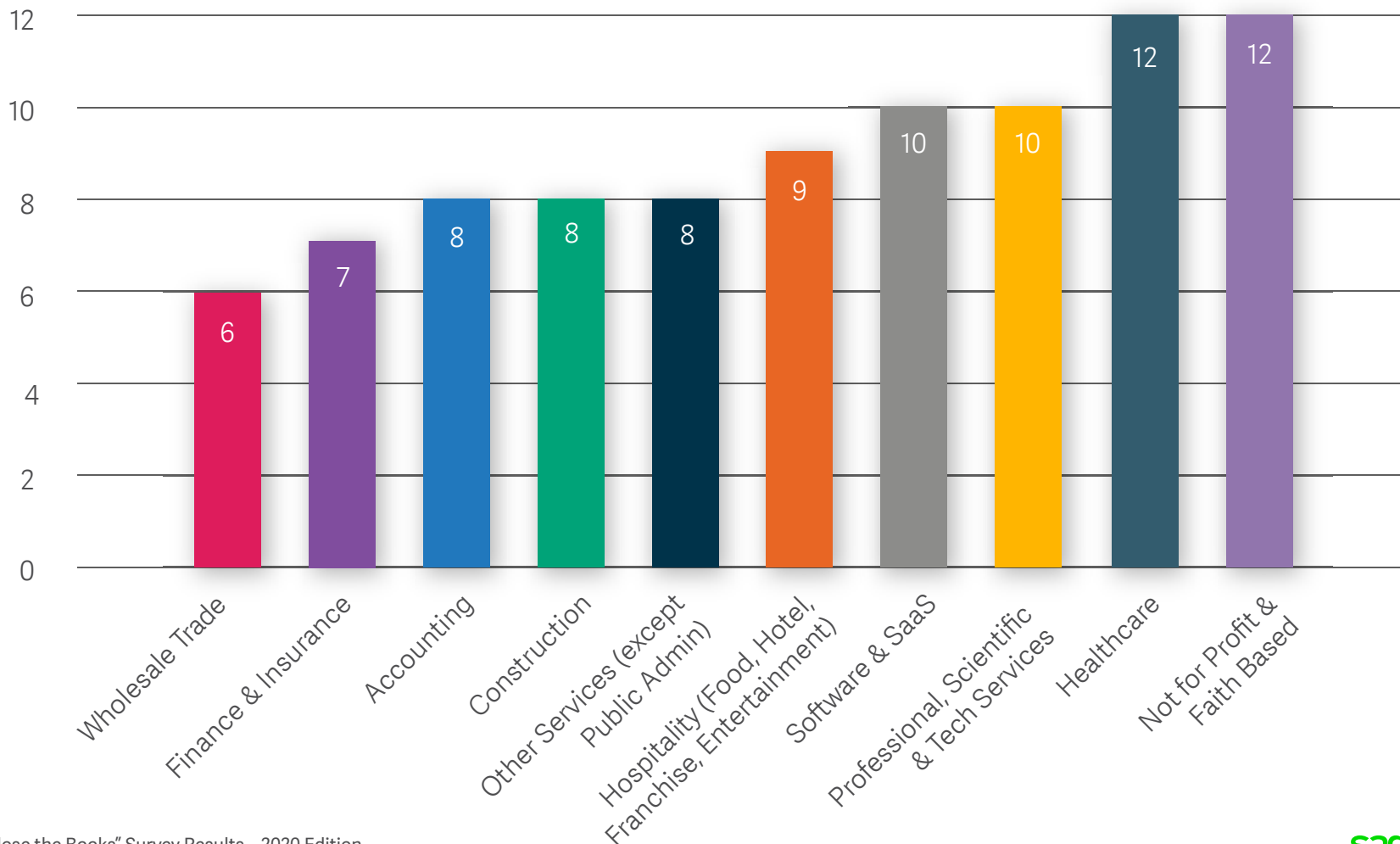
The average number of days to close the books grew in proportion to the number of legal entities a business has. Those with **11 or more legal entities took 70% more time to close their books** than those with five or less. Adding additional locations increases the complexity and close time.



## The industry makes a difference

The type of industry had an impact on the number of close days. Wholesale trade had the least amount of days at six, while Healthcare and Not for Profit was double that at 12. Revenue and team size were not contributing factors across industries. More research is needed to determine the exact factors impacting the close across industries.

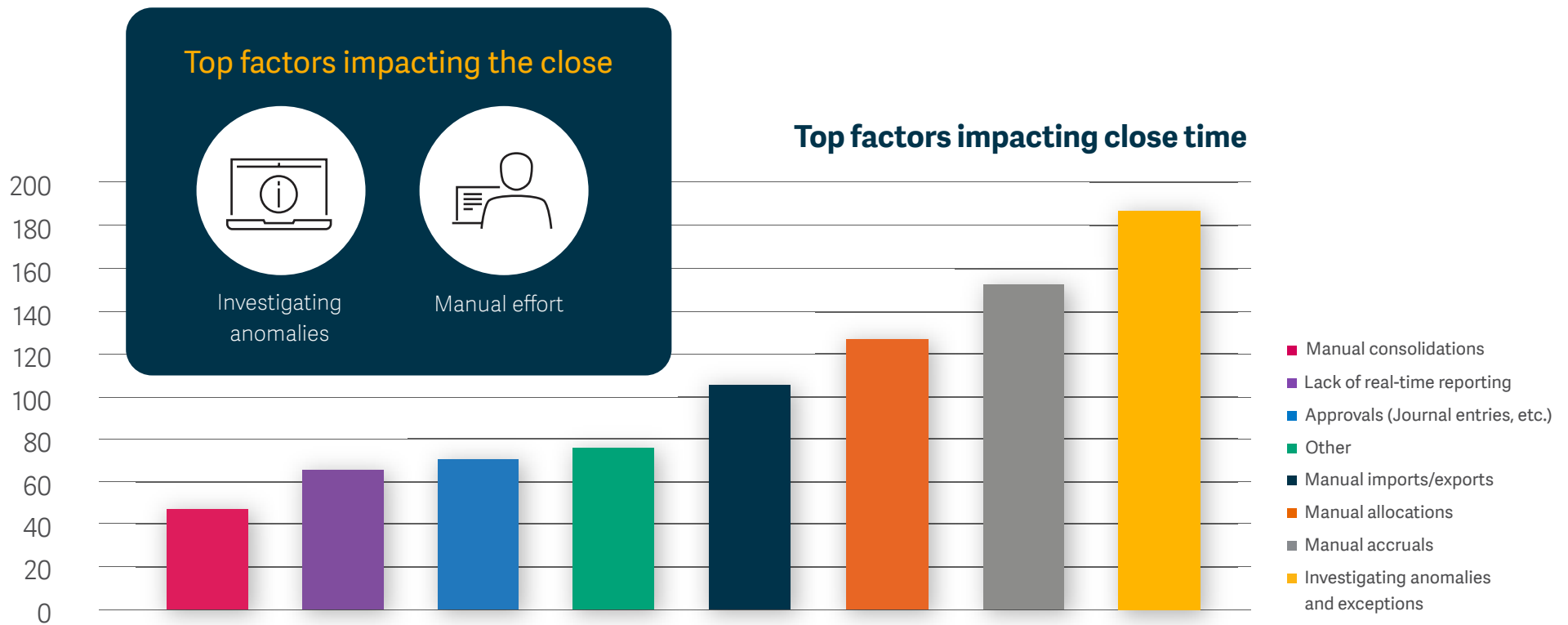
Average close days by industry



## What impacts the time to close?

### Manual effort increases the close time

Outside of business size and industry, many factors affect how long the close can take. **The top responses were investigating anomalies and the manual effort involved with the close, including accruals, allocations and imports.** Other reasons included getting information from 3rd parties, reconciliations, internal information flow, and management review.

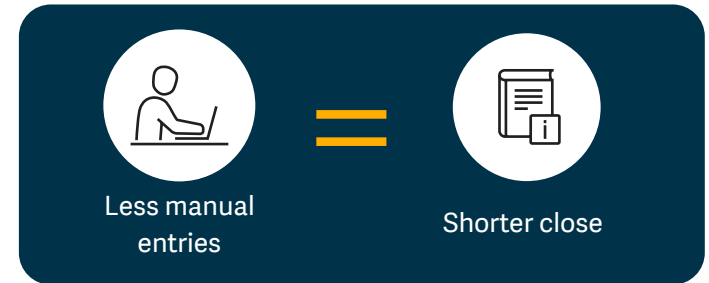


## Results - factors

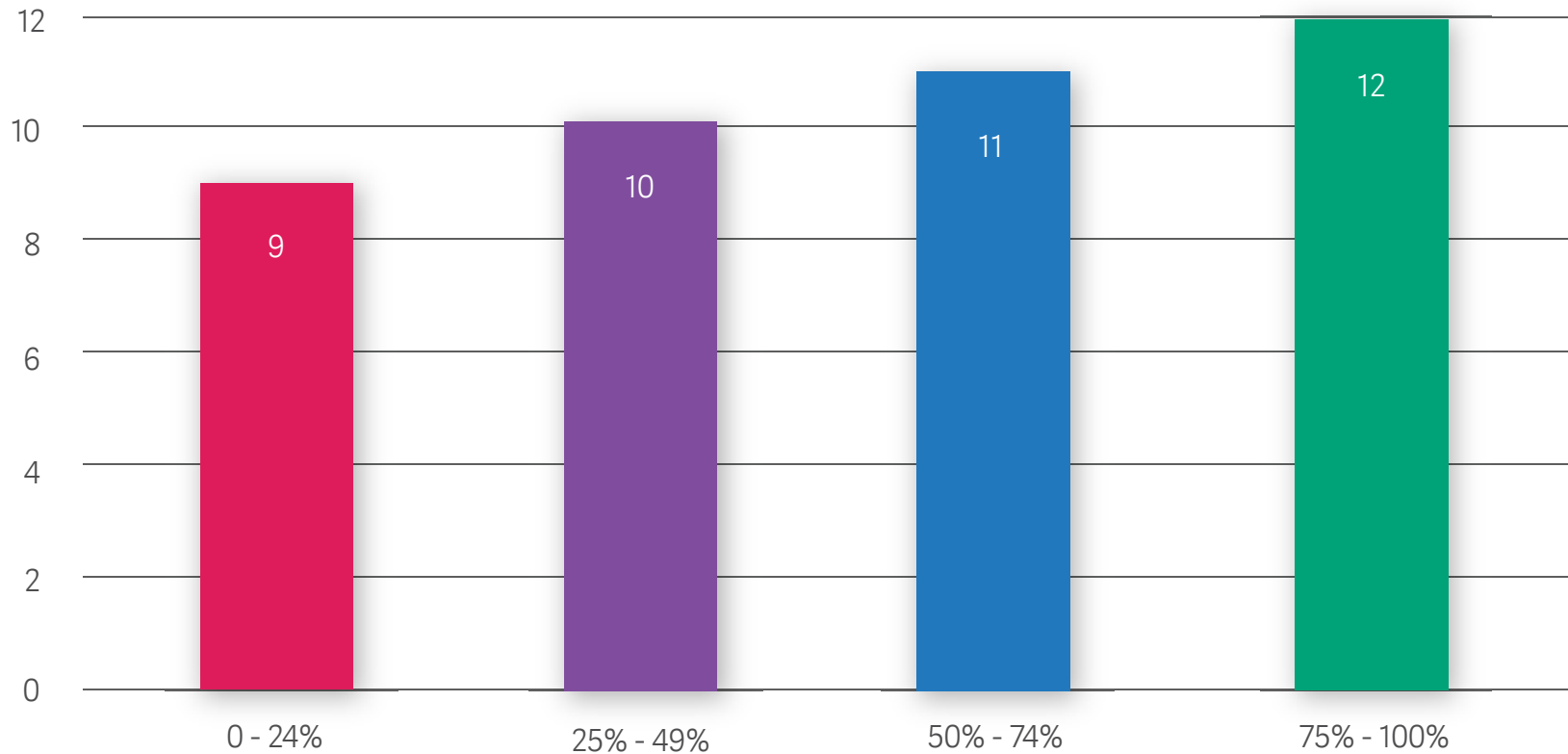
### Manual journal entries increase the time to close

Making entries in spreadsheets is a manual effort. Survey results show that the more manual effort creating journal entries, the longer the close takes.

**Those who do more than 75% of their entries manually had a close time of 33% more on average.**



**Average close days by percent of entries done in spreadsheets**

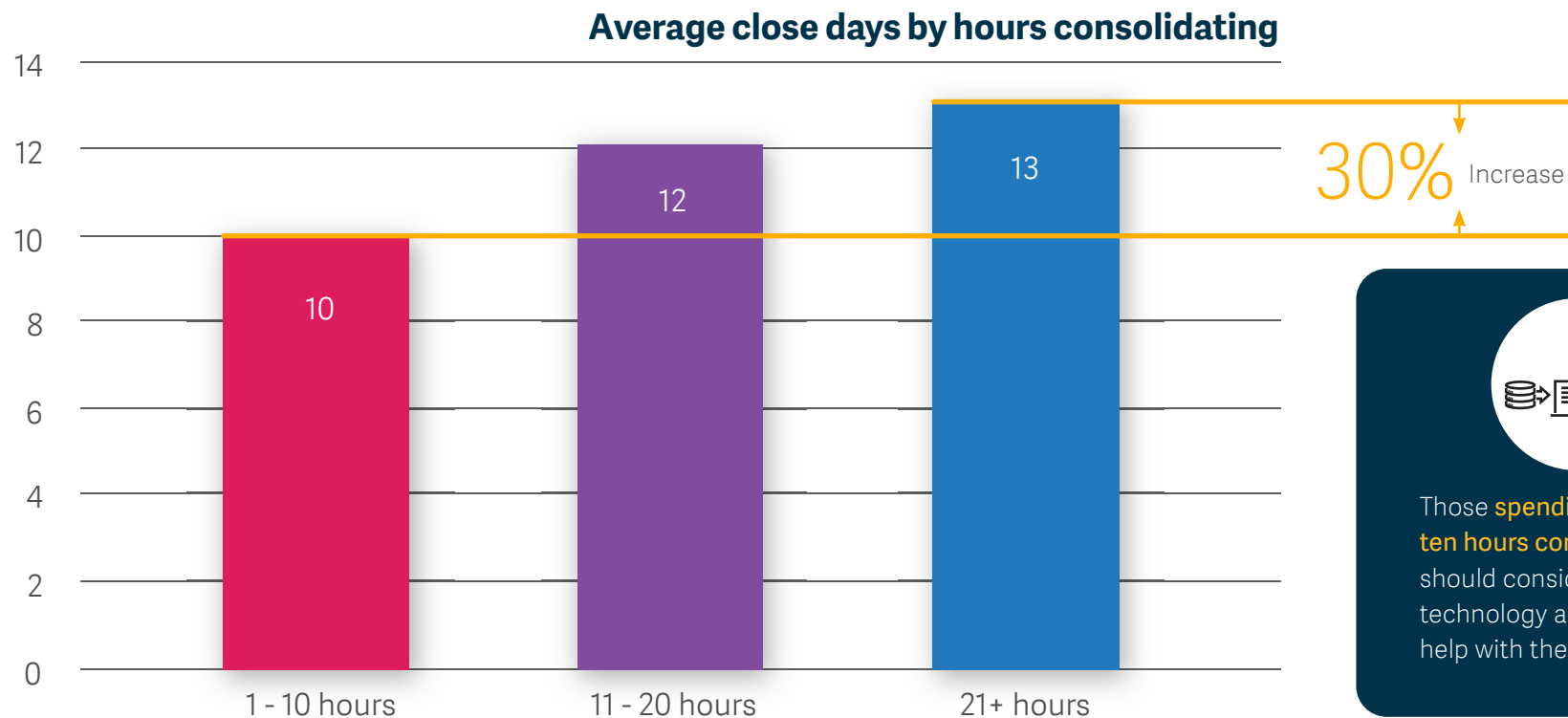




### Consolidations have a direct impact on the time to close the books

Consolidations are a part of businesses with more than one legal entity. Nearly half of respondents spend three hours or more each month consolidating their financials, and 13% spend half a workweek or more.

On average, respondents who spent ten or fewer hours consolidating their financials closed their books within ten days. Those who spent 11- 20 hours on average added two full days to the close process. **Those who spent more than 20 hours consolidating had a close process of 30% longer** than those who spent ten hours or less. Manual consolidations slow the close process and can add a significant amount of days.

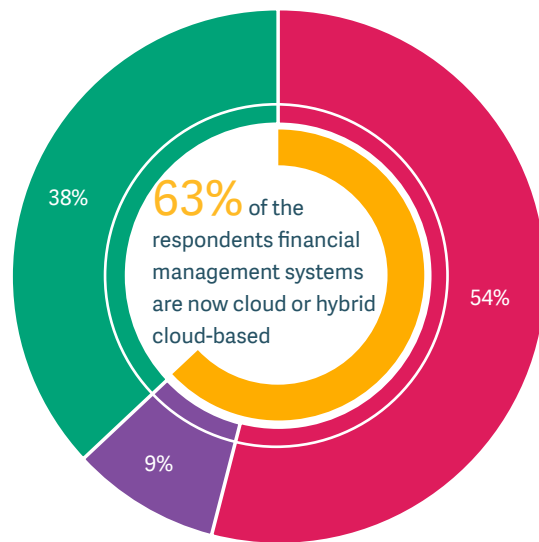


## What's in store for the future of close?

### The move to the cloud continues

**63% of the respondents financial management systems are now cloud or hybrid cloud-based.** There was a growth in hybrid cloud systems over last year – reflecting a movement from on-prem to the cloud. This is up from a total of 58% on cloud or hybrid cloud models in 2019, an 8% YoY change.

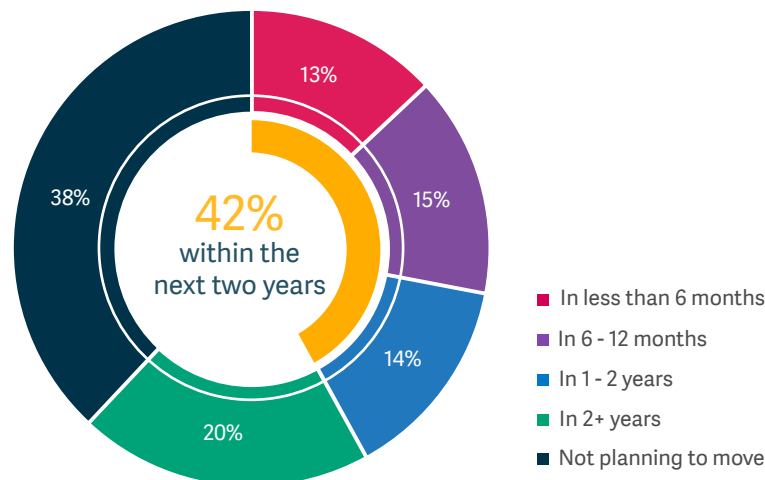
Financial system-cloud vs on-prem



- Cloud-based (applications available to users on-demand via the internet from the software vendor's servers)
- Hybrid (applications deployed and run with a combination of onsite and cloud technology)
- On-premises (applications installed and run on servers/ computers at your organization)

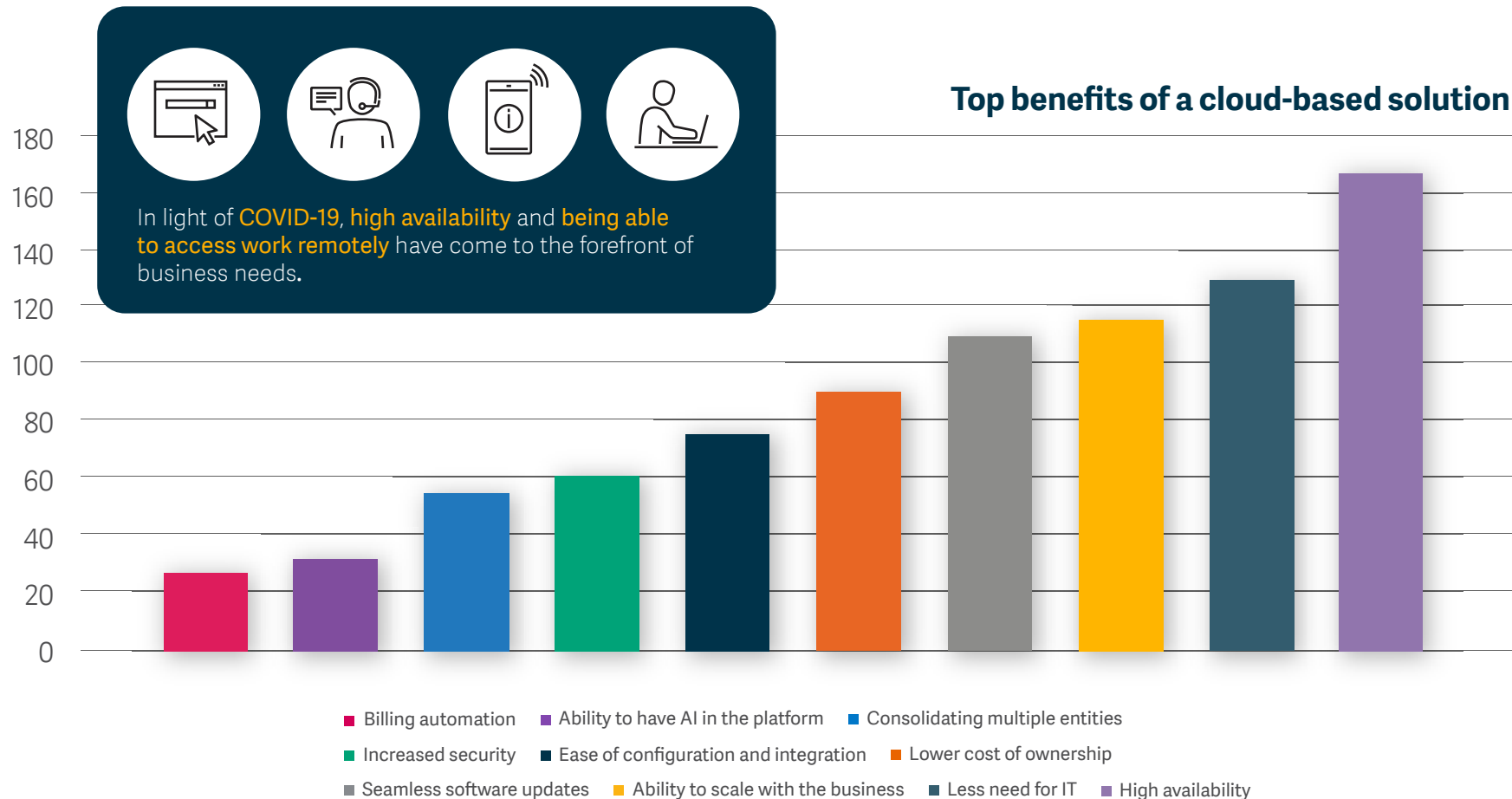
For those still using on-prem solutions, 28% plan to move to a cloud-based solution within the next year, and 42% within the next 2 years. For those not planning to move in the foreseeable future, the reasons listed included: lack of need, security concerns, or no reason at all. **It's important to understand the benefits of cloud-based solutions, including the enhanced security measures and features it makes available.**

Move to cloud timeline



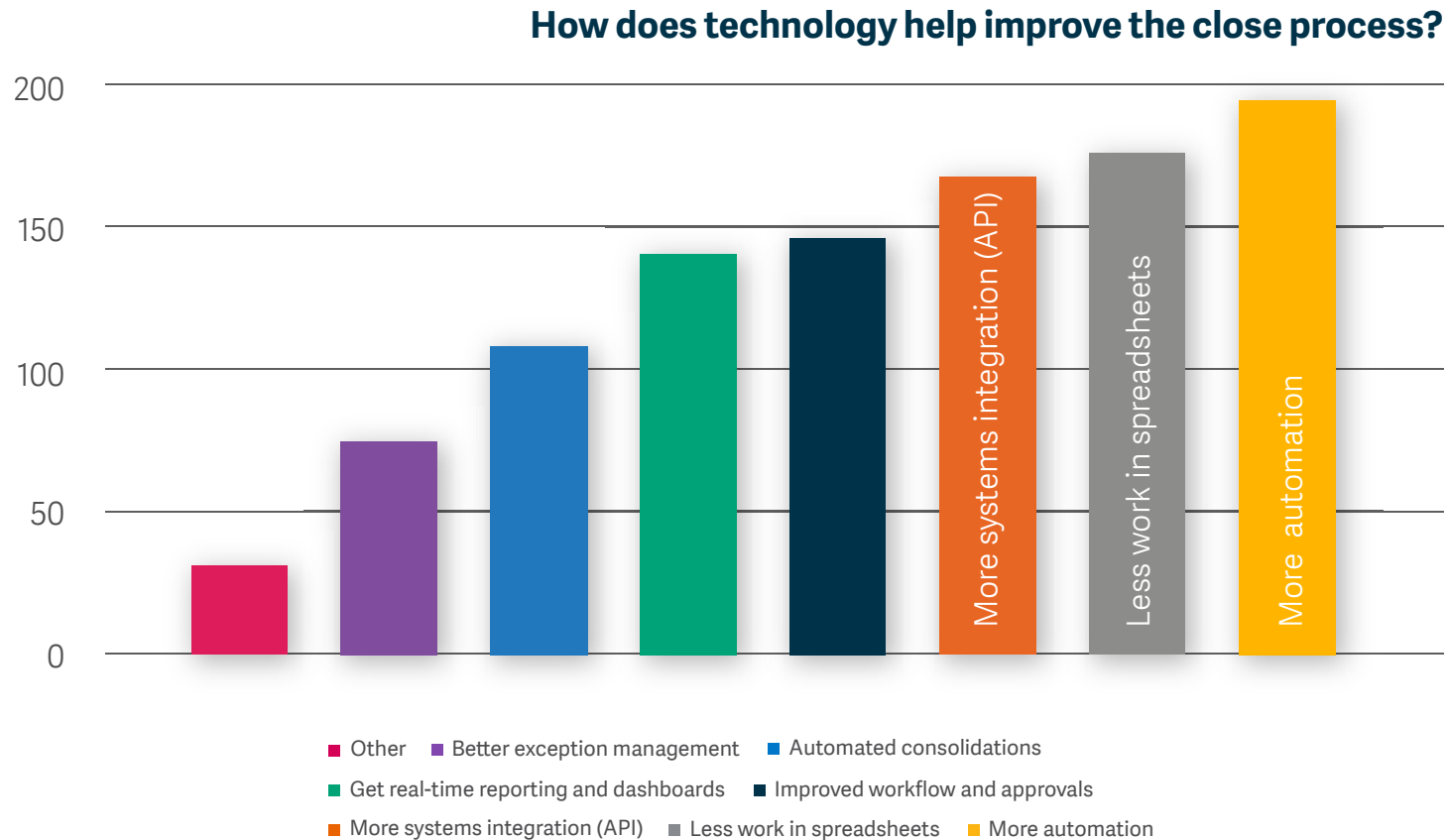
## The cloud allows businesses to scale and respond

As more and more businesses move to the cloud, it's important to understand the benefits. When it comes to cloud, benefits are clear – **higher availability, a reduced need for IT, and the ability to scale** as the business grows are the top reasons why the cloud is preferred. Lower cost, increased security, and the ability to have advanced features such as AI rounded out the listing.



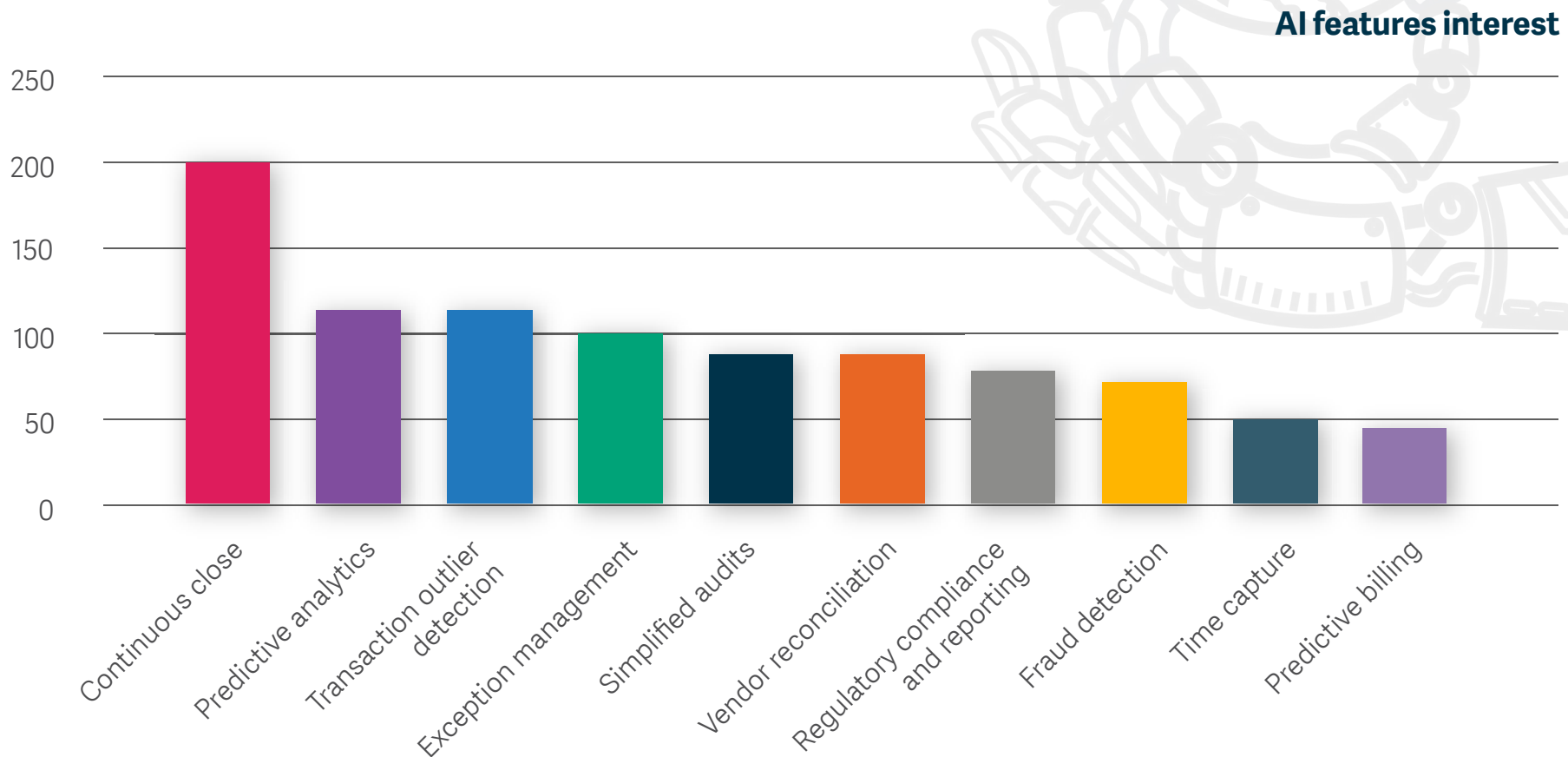
## Technology helps automate the close

Technology helps improve the close process. More automation, reduced manual work, and greater systems integrations were the top benefits cited. Workflow and real-time reporting were close behind. The theme of automation—less manual work- is clear.



### AI and the cloud will redefine the close

AI brings exciting new possibilities. With the ability to learn from large amounts of data, the future of close will be impacted in many ways. What features are people most interested in? The ability to continuously close the books was the clear leader, followed by predictive analytics and detecting outlier transaction outliers. **These advanced features are enabled through multi-tenant cloud-based solutions.**



### Sage Intacct helps customers improve their close process and reduce their consolidation time

DataXu turned to Sage Intacct to seamlessly manage financial consolidations and reporting across its global entities.



After quickly ruling out the cumbersome on-premises systems I've worked within the past, like SAP and Oracle, we compared NetSuite with Sage Intacct and the choice was clear. Sage Intacct's consolidation modules and multi-currency functionality best fit our needs. We also appreciated Sage Intacct's best-of-breed philosophy with the ability to easily connect our financial software into the other business software we already use, instead of feeling pressured to use a suite from a single vendor.



**- Jim Harper, controller, DataXu**

#### Results with Sage Intacct:

- ✓ Cut monthly closes by 12 full days
- ✓ Gained greater real-time insight into financial operations
- ✓ Maintained rapid growth with minimal finance headcount





## Customer success stories

The most notable benefit ModSquad experienced after switching to Sage Intacct came from gaining visibility into its financials across a variety of operational dimensions. This allows them to slice and dice revenues, expenses, and labor across individual projects, clients, locations, or service lines for deeper reporting and analysis.



We reached a point where we knew we needed more scalable technology to keep up with our aggressive growth plans. After a full-blown evaluation of FinancialForce, NetSuite, and Sage Intacct, we easily settled on working with Leap the Pond to implement Sage Intacct because we appreciated the solution's pre-built integration with Salesforce, powerful reporting capabilities, simple interface, a marketplace of specialized partner apps, and, most importantly, the Sage Intacct team's high integrity and 'customer for life' culture.

**- David Wohlwend, Vice President of Finance and Accounting, ModSquad**



### Results with Sage Intacct:

- ✓ Achieved instant ROI of 2.5X; Software paid for itself in <5 months
- ✓ Improved gross margins by 2 percentage points in one month
- ✓ Reduced invoice and monthly close cycles by 50%
- ✓ Gained greater visibility into customer and project profitability
- ✓ Scaled easily without additional



## Customer success stories

As the off-reservation economic development arm of the Hopi people in Northeastern Arizona, the Hopi Tribe Economic Development Corporation (HTEDC) runs seven diverse service entities. The organization gets several revenue streams from its motels, restaurants, and shopping centers, and manages about two dozen non-operating, undeveloped properties. After a decade of using basic QuickBooks accounting software, the finance team decided they needed better financial management tools to help run this complex business and deliver more meaningful, timely reports to the CEO and board of directors.



We wanted a scalable system that would support all of our multiple subsidiaries, which each have their unique managerial challenges. We looked at Microsoft Dynamics and NetSuite, but ultimately chose Sage Intacct because it is a lot more flexible for small, but complex, businesses like ours, and we knew it could keep pace with our growth. Sage Intacct has made a world of difference for all of our day-to-day financial processes – from reporting, to accounts payable and receivable, to payroll. It requires just a fraction of the people power that we'd need on QuickBooks and reduces our error rate. With this increased efficiency, our finance team can scale easily with the business.



**- Larry Chank, CEO, HTEDC**

### Results with Sage Intacct:

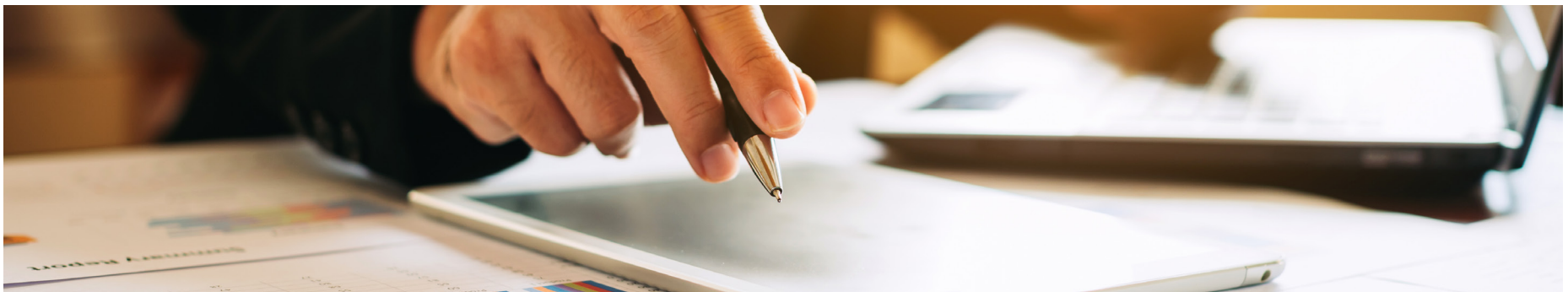
- ✓ Software directly led to nearly \$7M in value for the business
- ✓ Increased overall gross margins by 20%
- ✓ Improved cash flow by \$500K
- ✓ Manage operations, pricing, and forecasting in real-time
- ✓ Accelerate ROI on major development projects



### From looking back to looking ahead

The close process has existed for as long as records have been kept. Reconciling accounts, truing up balances, and reporting on the results have remained constant over the years – and has historically been a time-consuming process with much of the process still being done manually. As the amount of information has grown, technology has enabled us to do more with less, gaining efficiencies and greater insight into the data. Being able to close the books timely not only lets us see where we've been, but it allows us to plan for where we are going. With advancements over the last 20 years, we have progressed from backward-looking—knowing where we have been historically—to looking directly at where we are today and going in the future with modern analytical tools that help tell us the “why” behind the numbers.

As the survey results have shown, **the move to cloud-based solutions continues to progress. Along with that tools such AI are being developed to aid those solutions.** These new applications have the potential to not only improve efficiency, such as reducing the time to completely close the books, but also improve the effectiveness of the process by giving us greater insight into our numbers to make sound business decisions. As noted within the survey results, the top three AI impacts were continuous close, predictive analytics, and transaction outlier detection. Let's take a quick look into how each of these will potentially impact your close in the future.



## The future of close



### Continuous close

The means of closing the books as soon as information is received is coming closer to being a reality. With information always up to date and reconciled, the need to spend the first week or two of the month closing the books could become a thing of the past. Instead of reconciling, time would be spent performing other value added activities as needed.



### Predictive analytics

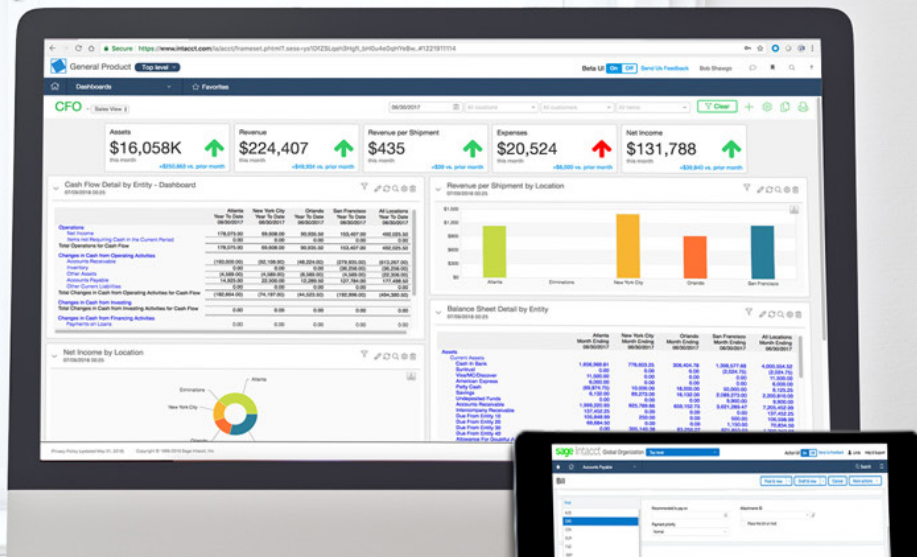
Using multiple advanced features, such as data mining, modeling and machine learning, predictive analytics allows systems to make predictions of the future based on past results. Imagine an accrual account where the system automatically calculates the amount and makes the corresponding journal entry.



### Transaction outlier detection

The ability to look through large amounts of data and find the anomalies is becoming closer to reality. With large data sets and rules, AI can parse through what's "normal" and what isn't. Being able to quickly find the outliers means you spend less time searching and more time analyzing. As systems learn what's out and what's not, they become more efficient at focusing your time and energy.

Through technology, we have been able to close the books faster than ever before and get a more complete financial picture to make sound business decisions. Today and going forward, technology will allow us to shift our view from backward-facing to forward-looking, and give us the necessary insight to reduce risk, find opportunities, and reallocate resources to more value-add activities. The close of the future will be very different from today, and technology will be the key.



## Sage Intacct

Sage Intacct's native cloud Intelligent General Ledger™ helps organizations worldwide with their close process by providing increased efficiency, deeper insight and instantaneous consolidations to organizations. AICPA-endorsed and customer preferred.

For more information, visit: <https://www.sageintacct.com/general-ledger-accounting-software>



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