How Should I Select and Implement a Financial Close Solution?

Published 13 November 2020 - ID G00736465 - 7 min read

John Van Decker

Initiatives: Finance Applications

Organizations often face issues when selecting and implementing a financial close solution. Application leaders should follow the 10 steps in this research to ensure the project is successful.

Quick Answer

How should I select and implement a financial close solution?

As Gartner analysts, we help our customers ensure that they are properly prepared for a financial close application implementation. This solution space has turned primarily to cloud implementations.

While not intended to be comprehensive, this information has been distilled from thousands of discussions with buyers and serves as a Top 10 list of what steps to take to ensure success.

As an application leader, in order to ensure success when implementing financial close applications, you should do the following:

1. Scope your financial close project as a catalyst for finance transformation.

2. Ensure the financial consolidation/reporting solution is capable of meeting your support for complexity and global regulatory requirements

3. Determine how financial close solutions can reduce the need for uniform core financial solutions in a multi-ERP environment

4. Plan for incremental targets to reduce the time needed to close your financials through the deployment of technology.

5. Use one vendor for reconciliation management and close management.

6. Evaluate suites, but avoid overbuying when point solutions are more appropriate.
7. Evaluate the financial close technology capabilities of your core financial suite vendor (if it offers them).

8. Choose a financial close suite separately from financial planning and analysis — your planning strategies must evolve independently of close.

9. Plan for a financial consolidation solution with a lifespan of at least 10 years.

10. Determine whether transaction matching is cost-effective, as many vendors upcharge greatly for this capability.

**More Detail**

1. **Scope your Financial Close Project as a Catalyst for Finance Transformation**

   Many organizations spend too much time with inefficient financial close processes. Many have not brought in an external services consultancy to evaluate processes against best practices, and this often hinders improvement. Often, these organizations have Microsoft Excel-laden processes that are inconsistent and provide little insight as to bottlenecks in the financial close. Many financial management service providers focus on this area in what is marketed as “financial transformation” projects. They leverage technology for financial close (including reconciliations, close task management, financial consolidation, disclosure management and interentity processes) and can help you change from a point solution perspective to a more holistic approach.

2. **Ensure the Financial Consolidation/Reporting Solution Is Capable of Meeting Your Complexity and Global Regulatory Requirements**

   If you have simple consolidation requirements, you may not need a consolidation solution. However, this can change if your organization is active with mergers and acquisitions. A financial consolidation solution enables you to consolidate results at a summarized level, process interentity eliminations and joint venture booking, perform currency translations and create local regulatory reporting. We see some organizations buying solutions that are too capable (beyond their requirements), while others opt for solutions that are not capable enough. It is important to evaluate solutions based upon your current and projected complexity and global regulatory requirements.

3. **Determine How Financial Close Solutions Can Reduce the Need for Uniform Core Financial Solutions in a Multi-ERP Environment**

   We see many organizations seeking to reduce the number of general ledger/ERP instances, sometimes moving to a single vendor and single instance approach. While this may be the correct approach for some, others may opt for an instance consolidation approach, moving to a two-tier solution. Many organizations may not need to consolidate instances at all, and may be able to bring summarized data together through a financial consolidation that solves all regulatory and tax requirements.
4. Plan for Incremental Targets to Reduce the Time Needed to Close Your Financials Through the Deployment of Technology

Many organizations take between eight and 10 business days to close their books. This includes closing out general ledgers, reconciliation, financial consolidation and management/financial report production. Financial close suites and point solutions can reduce inefficiencies and shorten the time taken to close. As you set targets for improvement, we suggest that you phase these tools into your process and set initial targets, e.g., a 10% time reduction, eventually increasing to 25%. Most of the available tools can provide up to a 20-25% cost reduction in each of the close subprocesses.

5. Use One Vendor for Reconciliation Management and Close Management

Most reconciliation management solutions leverage a proprietary business process management engine for task management, workflow and approvals, which ensures consistency in governance. We estimate that 40% of the tasks associated with financial close are reconciliations, and most of the available tools have the ability to extend this functionality to the financial close process in its entirety, assuming the appropriate number of licenses are obtained. With this capability, a controller will be able to monitor close progress and determine where fixes need to be made as bottlenecks pop up.

6. Evaluate Suites, But Avoid Overbuying When Point Solutions Are More Appropriate

The finance organization has many financial close challenges/opportunities to address. Financial close discussions with customers often focus on specific areas for improvement, rather than an overarching suite that addresses many components at once. We believe that only 10-20% of financial close technology projects utilize all components of a suite. We recommend that you consider point solutions for this reason, but also evaluate other components of financial close suites that you may not need to use initially. When determining a suite purchase vs “a la carte” solutions, identify areas where you may be buying shelfware that you may never use.

7. Evaluate the Financial Close Technology Capabilities of Your Core Financial Suite Vendor (If It Offers Them)

Core financial management suite vendors are increasingly adding financial close capabilities to their suites in the form of extended general ledger capabilities for closing, centralized financial transaction consolidation and reconciliations. Many of these vendors have formed partnerships with disclosure management vendors as well, and have integrated their tools into their stables. As this trend continues to amplify, we believe that if your core financial management suite vendor offers the capabilities you seek, this vendor should be on your shortlist. These capabilities will only increase in the next three to five years as more artificial intelligence (AI) use cases and useful accounting hubs become available. This, in turn, will lead to new capabilities being introduced in the area of reconciliation management, which will enable continuous reconciliations, given that the majority of the data required will exist in the core financial management suite.

8. Choose a Financial Close Suite Separately From Financial Planning and Analysis — Your Planning Strategies Must Evolve Independently of Close
Some vendors offer consolidated suites including both financial close, and financial planning and analysis (FP&A). However, many organizations prefer to select a financial close suite separately from FP&A. We recommend that you do the same, or at the very least, determine your financial close solution strategy separately from your FP&A solution strategy. Coupling these together may initially appear to be a good approach, but we believe that the FP&A solution market will continue to be more volatile and present new opportunities sooner than the financial close solution market.

9. Plan for a Financial Consolidation Solution With a Lifespan of at Least 10 Years

Many organizations are still using financial consolidation solutions that they deployed over 10 years ago. A lot of these solutions have reached the end of vendor support; however, some of these organizations are resistant to change. When they do decide to deploy a new tool, they will typically also spend at least 10 years using that product, often only modifying the solution if and when they buy or sell an entity. Since it is usually not critical to have the very latest consolidation technologies in place, when you are selecting a solution you should plan to stay with it for many years. Please note, however, that we expect this advice to become less relevant in the future, as reporting and analytics have significantly improved with the latest cloud versions.

10. Determine Whether Transaction Matching Is Cost-Effective, as Many Vendors Upcharge Greatly for This Capability

Transaction matching can be a valuable tool to identify where reconciliations are needed (via flux reporting), as well as providing the ability to automate large volume subledgers to general ledgers (and billing systems to accounts receivable). While this may initially sound very attractive, we have found that many SaaS customers have paid for this capability and never used it, or have not been able to continue to use it due to unforeseen vast amounts of data accompanied by restrictive data storage charges. If you decide to pay for transaction matching, make sure you are funding it appropriately in accordance with the business case, as these funds could possibly be put to better use supporting other resources offered by the financial close suite.

Recommended by the Authors


3 Ways to Flatten the Finance Record-to-Report Curve in Times of Crisis and Opportunity

How to Develop and Jump-Start Your AI Strategy for Core Finance