Five Steps to
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a Disciplined
Month-end
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As new technology creates the potential for more data collection, consulting organizations have to rethink how best to flow the information into the decision-making process and then put it away. But this process can be challenging in a rapidly-growing business.

Having every department keeping to the same time signal helps to keep the business moving forward together and that is why focusing on creating a regular cadence around month-end close is a powerful driver of business success.

One of the most common mistakes that businesses make when managing their data is that they do not provide the discipline that is required to keep on closing out the weeks and months, putting them away and moving on.

In some organizations, the data becomes the preserve of the finance or accounting department – and its power to feed into operational effectiveness and to boost business performance is undervalued. Feeding the right data into the live, shared source of up-to-date information at the right time is the first step (addressed more fully in Kimble BPG l, Five Steps to Creating a Forward-Looking Culture.)

But an equally vital step is continually putting the old data to bed. Some organizations keep periods open for days or even weeks and months after the period has passed. That may not be an issue for accounts, but it is for operations. If numbers from the past keep being adjusted there are knock-on effects for current forecasts.

Getting this right means enabling the finance team to support the rest of the business more effectively. And using streamlined processes coupled with automation means that month-end close can be done more efficiently, allowing the business to grow without increasing administrative overheads.

Where this is done right, it creates a rhythmic cadence of data management which aligns it to the management operating model, in effect setting a metronome for the business.

It is assumed that the reader of this Kimble Best Practice Guide has, or is planning to buy a professional services automation (PSA) solution. PSA technology will undoubtedly deliver better forecasts and outcomes if it is used in conjunction with best practice business processes. This Best Practice Guide suggests five simple steps to disciplined month-end close. *(cont. next pg.)*

Focusing on creating a regular cadence around month-end close is a powerful driver of business success.

1

DON'T LET BAD INFORMATION IN

Make sure that the data-gathering process is kept as clean as possible.

As organizations grow, so does the potential for gathering information that is wrong or misleading. Having poor quality information coming in has consequences for the accuracy of the numbers which can be drawn out of the system. Garbage in, garbage out may be a cliche, but it is one based on reality.

Creating a deadline and sticking to it in a disciplined way is the first step to making sure the data flows keep pace with real time.

Wherever possible, barriers should be set up to prevent the entry of information which falls below the acceptable standard. For instance, if a particular project has an expenses policy which does not allow claims for flights, don't allow them to be entered. If there is a ceiling on the amount that can be claimed, don't accept greater amounts. Equally, if resources are only enabled to log time to projects to which they have been explicitly assigned, then they can't easily log time to the wrong projects.

Keeping the data clean on entry saves hours of administrative time later on because it takes longer to fix these issues than to prevent them. It also increases the likelihood that when a project is in trouble because, for instance, lots of extra hours are being assigned to it, this will be easy to spot at an early stage, because when data is more accurate, people pay more attention to it.

But the most important point is that creating accurate forecasts starts with making sure the data entered at the first stage of the process is correct.

2

SET A DEADLINE FOR MONTH-END CLOSE AND STICK TO IT

Decide that month-end close will take place a few days after the end of the month and then enforce that deadline.

Creating a deadline and sticking to it in a disciplined way is the first step to making sure the data flows keep pace with real time. If, for instance, many staff members do not complete their timesheets as required, the period cannot be closed effectively, so bills cannot be issued, forecasts cannot be created, and so on.

When everyone in the organization understands that month-end close happens with a regular cadence four days after the end of the period, for example, they will work hard to get their information up to date, knowing that they will be held accountable if they fail to do so. The fact that others are making sure that their resource plans and sales forecasts are up to date will create a sense of urgency.

It is forcing that closure which keeps the information flowing. In turn, this means that the board at the beginning of every month has a clear picture of what is going right, and what is not, across the business. This visibility gives them the time and opportunity to act on the knowledge, to deal with problems, and make informed choices about the best route to take the company.

Sharp month-end close also means bills and expenses claims can be issued promptly and accurately. But again, the most important point is that this cadence creates the conditions for accurately forecasting the month ahead and acting on the information the forecasts contain.

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GET AHEAD WITHIN THE MONTH
WITH A DISCIPLINED WEEKLY CLOSE

Closing off weeks within the month creates a regular effort and brings attention to the numbers and what they show.

Sharply closing each week spreads the effort across the period. And it also creates the conditions for sharing responsibility throughout the organization.

Project managers should be responsible for closing the weeks because they know what is happening in their engagements. If there is a difference between what was supposed to happen and what has happened, the project manager should know.

Because they have to close the weeks, the project managers will make sure that timesheets are filled in and available. People who don't fill in their timesheets on a weekly basis know they will be held accountable for that. The same goes for milestone dates, resourcing requirements, etc.

The weekly closure forces project managers to look at the numbers, milestones, and effort, percent complete. Again, doing this each week lessens the chance of nasty surprises being found down the line. It creates an early warning system for projects going off track. This weekly closure also feeds into a more forward-looking culture.

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MAKE SURE CLOSED
PERIODS STAY CLOSED

Don't allow data to be routinely adjusted days or weeks after the end of the period – this has implications for forecasting accuracy.

In organizations which are used to an overly-complicated process for month-end close, the numbers

are sometimes not available for weeks after the end of the period. But keeping the period open means that the focus of the organization is on the past, and it can't move to the month ahead.

It is important to get on and close the month when it is supposed to be closed. That has to happen for operational reasons. But it is also good practice for accounting reasons. The numbers that are being drawn out of the system should be reliable. There are consequences for all of the numbers being generated by an automated system if inputs are retrospectively changed.

If a baseline figure for a project is adjusted in a past period, the revenue forecast will change, and the real performance of the business against the prediction will change too. Altering numbers in a closed period should be done as rarely as possible, and these changes should be tracked.

Where the right data is available, it will be much easier to draw information out of the system for the board meeting, which typically happens a few days after month-end. The management team will have the visibility and forecasts available to make the best possible choices about the month ahead.

This disciplined closure means that management energy can be focused on changing the only period that can actually be changed – the future.

A weekly closure feeds into a more forward-looking culture.

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ACT ON INFORMATION

Make immediate use of the information by basing decisions about the month ahead on it.

The main priority is to base the management of the business on the numbers that are drawn out of the system at month-end close.

Where the month-end closure is disciplined, it should not require a massive administrative effort. If the weeks are being closed, and members of the

staff are inputting their information in a timely and accurate way, it should be relatively straightforward to draw the numbers out of the system that the board needs to run the business.

Finance and accounting teams will be in a supporting role, pulling the right numbers out of the system for rapid-month end close, helping delivery and sales teams to interpret the data. They are not in a leading role, owning and controlling the numbers.

And when the information is available at the beginning of the month, it can be used right away. Perhaps there are projects where the margin is dipping below the prediction - or perhaps there is more revenue coming in than expected, creating opportunities to invest.

Where this practice is embedded, it becomes a rhythmic process that keeps the different aspects of the business working together and playing in tune - like a metronome that keeps time.

CONCLUSION

Businesses at the top of the best practice league can bring the data that comes out of sharp month-end close into management meetings close to the start of the month. They flow this information into accurate forecasts of the month ahead.

Knowing what is coming down the road creates the visibility that is needed to deal with issues as soon as they arise, to steer towards the most profitable projects and to put together the best teams for the most appropriate engagements. All this translates into providing better performance and greater customer satisfaction.

Kimble Best Practice Example: Rule Financial

After implementing PSA, Rule Financial was able to expand from 300 to 900 staff members in two years without increasing back-office headcount. Despite expanding globally, opening new offices and introducing more complex charging models with cross-company transfers and revenue recognition, the administrative burden decreased.

Previously month-end took weeks and the data required was prone to error and difficult to collect. With the help of a PSA system, month-end close became a disciplined cadence happening a few days after the end of the period. Visibility, decision-making, and profitability improved.

The finance team at Rule Financial changed its focus to one of supporting managers across the organization. Rule Financial was eventually acquired by GFT technologies. Listen to a podcast with Gillian Sheeran CFO of Rule Financial here.

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