

How much time is your team wasting on month end reporting?

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Is your team one of the many who are sucked in by processes that have more in common with the Charles Dicken's era than the 21st century? When I was an corporate accountant each period end was a disaster waiting to happen. Each month end (m/e) had a life of its own. You never knew when and where the problems were to come from. Always two or three days away we appeared to have it under control, and yet, each month we were faxing (email was not on the scene then!!) the result, with our fingers crossed. The last minute adjustments having negated "quality assurance" work we performed earlier leaving the result exposed to a late error. Does this sound familiar?

If so, this article will show you a way forward, a pathway blazed by some of your far seeing peers. This series of articles is based on the collective wisdom's of over 100 CFOs, to them we owe a great gratitude. This is their story, not mine.

How do you rate on these questions?

<i>Does it take longer than three business days for your Finance team to complete the monthly reporting package to the CEO and management?</i>
<i>Do team members have to burn the midnight oil to achieve this?</i>
<i>Are you finding that each month-end is a drama?</i>
<i>Are you fed up with the error rate in the finance report?</i>
<i>Do the month-end reports go through endless rewrites?</i>
<i>Is the month-end reporting process seen as a negative task for staff and management?</i>

If you answer "No" to all of these you are one of the small minority who have got to grips with timely month-end reporting. Your story should be told!!

Based on waymark benchmarking and attendees to my "day one reporting workshop" in Australia and New Zealand, the following is a rating guide.

	Day One reporting	2 to 3 days	4 to 5 days	Over 5 days
Rating	exceptional performance	better practice benchmark	adequate performance	inferior performance and career limiting!!

So what is Day one reporting (DOR)?

DOR is the condensing of the monthly reporting process down so that it is completed and management reports issued all within Day 1, the first day after the previous month-end. Organisations who are achieving DOR complete all of tasks below by 5pm Day 1:

•	all previous months transactions processed
•	accruals raised
•	consolidations complete
•	reports made available to budget holders
•	reports prepared for business units
•	consolidated reports prepared and commentary / analysis added
•	reports issued

Day one reporting has arrived in Australiasia, brought here by visionary accountants who can think outside the square. They have created a precedent that means that reporting day 5, 6, 7, or 8 working days after month-end will soon be a perilous activity for the CFO. How will you explain this time wasting to a CEO who has been used to day one reporting in their previous company?

In other words it soon will not be acceptable for organisations and career limiting for CFOs to be responsible for time consuming and costly month end processes.

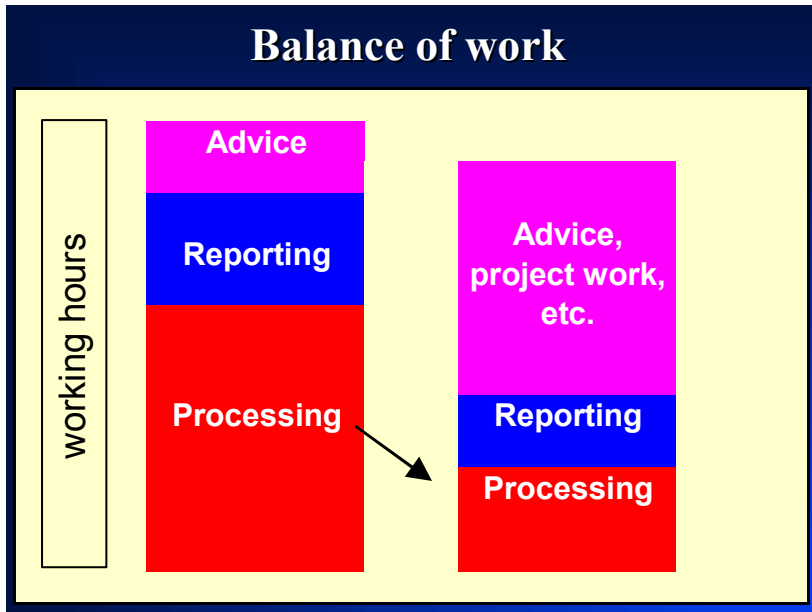
Benefits to management and the finance team

As a good friend of mine, who is a CFO of a tertiary institution, said “every day spent producing reports is a day less spent on analysis and projects”. There are a larger number of benefits to management and the finance team of quick reporting, and these include:

Benefits to management	Benefits to the finance team
Reporting now plays a bigger part in the decision making process	Staff are more productive as efficiencies are locked in and bottlenecks are tackled
Reduction in detail and length of reports	Many m/e traditional processes are out of date and inefficient and these are removed
Reduced cost to organisation of m/e reporting	Happier staff with higher morale and increased job satisfaction
More time spent analysing trends, companies who report quickly say their analysis is better!!	More professional challenged finance staff
Less senior management time invested in m/e which means management can spend more time on achieving results	Finance staff spend more time shaping the future e.g. quarterly rolling forecasting, implementing new decision based tools etc.
Greater budget holder ownership as they need to be more involved in accruals, monitoring expenditure during the month as no corrections are permitted after m/e etc.	Leads to a very quick year end

The impact of quick reporting on the finance team and the organisation

The impact of quick reporting is a total redistribution of work moving out of the low value process activities into the more value added areas. This is often accompanied by a change in the mix of the team, which is good news for qualified accountants.



The significance of faster month-end reporting can be seen from this comparison of three companies. From the *waymark solutions* benchmarking study of over 200 accounting teams, quick month-end reporting accounting teams are far more advanced in many other areas. They should be, as they have much more time on their hands.

Comparison of 3 companies			
Tasks	Day 1	Quick m/e	Slow m/e
	No of working days a month		
Month-end reporting	1	4	9
Project work & daily routines	21 60% more	18 40% more	13
Based on a 22 working day month			

The extent of the time wasted in reporting can be seen in the diagram below. When you recognise that most of the commentary is of little value, given that it is discussing variances against a nonsense target, the monthly budget. Such

an analysis can be easily performed by your accounting function to ascertain the true cost of month end reporting in management's and budget holders' time.

Senior management time invested in M/E	
	Days
Drafting papers	2 to 4
Review and redrafting	1 to 2
Total days of effort by each unit	3 to 6
Say 5 business units	15 to 30
Support function reports	10 to 15
Review by CEO etc and redrafting	1 to 2
Total senior management effort each month	26 to 47

So is DOR easy to do?

No, in fact if you approach it using conventional processes and techniques it is almost impossible! You need to think outside the square. The finance team needs to challenge the status quo and a huge paradigm shift needs to occur. Recently I was working with a finance team in a month reporting workshop. When the Financial controller kicked off the morning saying "the new goal for the month-end is five working days" there was a total silence. They have 12 dramas reporting at 8 working days!! By the end of the day there had been such a dramatic shift that the team was already planning for day three reporting!!

History of day one reporting

The writings about DOR started about 1980 and one of the first companies to do it was a American multinational. They had not realised there was a real problem until benchmarking against other companies. They found to their horror their 2 weeks to close was resulting in their company "paying more to have monthly reports later". In other words the quicker companies had less accounting resource!! This spurred them into action and the reporting deadlines came down as follows:

September 91 - 8 days
March 92 - 3 days
September 92 - 2 days
September 93 - 1 day

They achieved this Eldorado of accounting through the above stages. They got quite quickly to day 3 reporting by applying the following:

1.	All management made aware of the problem
2.	Buy-in obtained (marketing)
3.	Multi functional project team set up (reporting, marketing, operations, IT, production planning)
4.	Project team empowered to make decisions
5.	Focus was on continuous improvement and teamwork
6.	They adhered to deadlines

At day 3 they hit the wall it now required a complete paradigm shift by the finance group so they carried out the following:

1.	Re-engineer the month end process
2.	Identified non value tasks which could be done earlier or eliminated e.g. the posting of automated journals that occurred on day 1, journals were being reviewed before entry into the G/L, last month's production not finalised until day 2 etc.
3.	They rigorously applied the Pareto principle (80/20) focusing on the big numbers and levels of relevancy were established - manual journal entry line items reduced by 80%
4.	Eliminated all interdepartmental corrections at m/e, these had to be done during the month!
5.	Eliminated management review of cost centres before final close as budget holders now had responsibility to resolve all issues relating to their cost centre
6.	Management report condensed into one page of key indicators plus one page business unit reports
7.	Used estimates to avoid slowing down the m/e process - they found that the difference between estimate and actual were never significant
8.	No late changes to m/e report formats were accepted
9.	Budget holders tracked activity throughout the month eliminating the usual surprises found during the close process
10.	Allocations are now processed without seeing departmental spending
11.	Preparations for m/e close moved before period end instead of after
12.	Reconciling accounts in day 1 and 2 was replaced with variance analysis

DOR around the world

The USA is leading with prompt reporting. The virtual close for month end reporting has been achieved by organisations such as CISCO, Motorola, Oracle, Dell, Wells Fargo, Citigroup, JP Morgan Chase and Alcoa to name a few. Yet in a study performed recently by PWC no evidence was forthcoming in Europe. This study based on 160 "European headquartered" organisations indicated some frightening statistics including:

- spreadsheets were still being used for consolidations (principally by the slow reporters)
- the top 25% regarding speed of close at month-end still ranged up to 9 working days post month-end
- 81% used spreadsheets for reporting
- 60% stated that they were dissatisfied with the their use of spreadsheets

In another study nearly 50% of respondents have introduced flash reports on day one, reporting to the a result for the P/L within +/- 10%. From my workshops most accountants stated that they could issue day one flash reports within +/- 5%!! Show me a CEO who if offered a flash one page report would not welcome it!!

W_{riter's} biography



David Parmenter is the CEO of waymark solutions. David specialises in assisting organisations measure, report and improve performance. waymark helps organisations streamline their: month-end reporting and annual planning processes, implement quarterly rolling forecasts, adopt the principles of beyond budgeting, develop decision based reports, and adopt performance measures that will improve performance. He has had speaking engagements in 2007 in Wellington, Auckland, Christchurch, Sydney, Melbourne, Brisbane, Canberra, Adelaide, Perth, Kuala Lumpur, Singapore, Dublin, Edinburgh, Glasgow and London.

John Wiley & Sons Inc are publishing two of his books in 2007 “Key performance indicators – developing, implementing and using winning KPIs” (January 07) and “Pareto’s 80/20 Rule for the Corporate Accountant” – better practices from winning finance teams (April 07).

David has an in-depth understanding of better practices of corporate accountants across all sectors. David has also worked for Ernst & Young, BP Oil Ltd, Arthur Andersen, and Price Waterhouse. David is a fellow of the Institute of Chartered Accountants of England and Wales.

He has written over 30 articles for the accounting and management Journals in Australia, Malaysia, Ireland, England and New Zealand. His articles published include: “quarterly rolling planning - removing the barriers to success”, “Throw away the annual budget”, “Maybe its time to look at your KPIs”, “seven time wasters”, and “quick month end reporting”, “Beware corporate mergers”, “Implementing a Balanced Scorecard in 16 weeks not 16 months”, “Convert your monthly reporting to a management tool”, “Smash through the performance barrier”, “Is your board reporting process out of control?”
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