

THE FINANCIAL CONTROLLER AND CFO's TOOLKIT

Lean Practices to Transform Your Finance Team

Third Edition

DAVID PARMENTER

WILEY

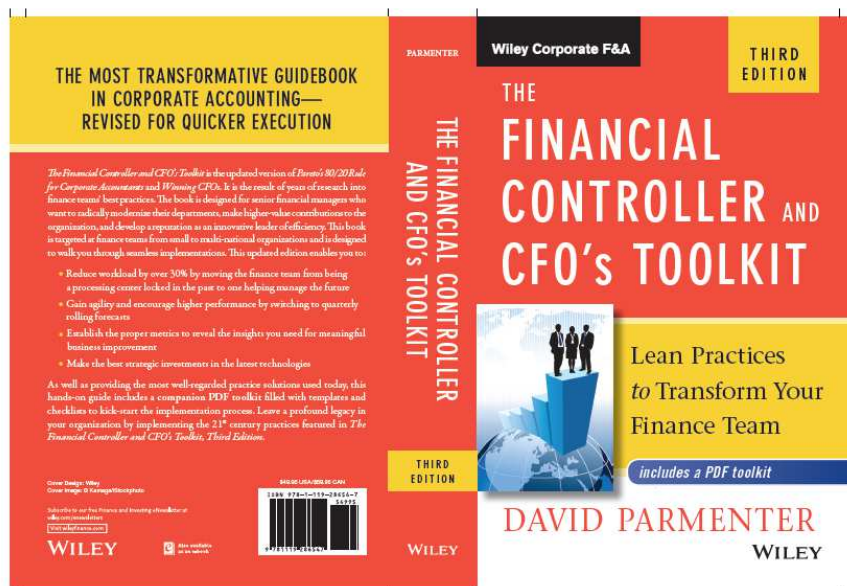


DAVID PARMENTER is an international presenter who is known for his thought-provoking and lively sessions resulting in substantial change in many organisations.

David is a leading expert on lean finance team practices, rolling forecasting and planning, and the development of winning KPIs. His work on KPIs is recognised internationally as a breakthrough in understanding how to make performance measures work. He has delivered interactive workshops in 31 countries over the last 20 years. Parmenter has worked for Ernst & Young, BP Oil Ltd, Arthur Andersen, and PricewaterhouseCoopers, and is a fellow of the Institute of Chartered Accountants in England and Wales. He is a regular writer for professional and business journals.

He is also the author of *Key Performance Indicators: Developing, Implementing, and Using Winning KPIs*, *Key Performance Indicators for Government and Non Profit Agencies: Implementing Winning KPIs*, and *The Leading Edge Manager's Guide to Success* (all published by Wiley).

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While some finance teams are most definitely "future ready," many are undertaking tasks that are antiquated and anti-lean. Now is the time to change. Author and performance management leader David Parmenter has designed this toolkit to be a practical guide for corporate accountants, from CFOs to the management accountant. This book provides over 100 lean practice solutions, gathered by the author, from lean finance teams including:

- The key steps to rolling and leading change effectively
- Rapid month-end results—inside three working days
- Templates for lean, one-page daily, weekly, and monthly reporting
- Agile methodologies for instant improved teamwork (Scrum, Kanban, Pom-It Re-engineering, Kaizen)
- Ways to reduce accounts payable volume by 60%
- The seven 21st century technologies that will radically improve the finance team's productivity
- Rapid annual accounts and annual plans
- Implementing quarterly rolling forecasting
- Getting your KPIs to work
- How to attract and recruit talent
- Practical insights from the paradigm shifters (Peter Drucker, Jim Collins, Jack Welch, John Kotter, Jeremy Hope)

The companion PDF toolkit is filled with templates and checklists to kick-start the implementation process.

The Financial Controller and CFO's Toolkit will assist corporate accountants to radically transform their contribution. By embracing lean best practices, the reader will enhance their job satisfaction and profile, and leave a lasting legacy.

Preface

This book is a third version, as it follows on from *Paretos 80/20 Rule for Corporate Accountants* and *Winning CFOs: Implementing and Applying Better Practices*.

With all my books there is a heavy focus on implementation. My role, as I see it, is to prepare the route forward. To second guess the barriers the finance team will need to cross and set out the major tasks they will need to undertake.

Naturally each implementation will reflect the organization's culture, future ready status, the level of commitment from the CFO, the Financial Controller and the senior management team and, lastly, the expertise of the in-house finance staff.

These templates, are a toolkit and they have evolved with my commitment to Kaizen and from new observations I have made from working with organizations.

A PDF

This 100-page toolkit of checklists, resource material and templates along with all the diagrams in the book can be purchased electronically from www.davidparmenter.com

Chapter 1

Getting Your Finance Team Future Ready

A Book Review to Download

Elizabeth Haas Edersheim's "The Definitive Drucker"	http://www.assess.co.nz/pages/Drucker.pdf
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My Analysis of Drucker's Top Ten Gifts

Peter Drucker (1909-2005), is often called the father of modern management. His work contains many gems that have been overlooked. Alongside Drucker are some brilliant writers like Jack Welch, Tom Peters and Robert Waterman, Gary Hamel, Jeremy Hope, Jeffrey Liker and Jim Collins, who have now taken over the baton. I call these writers the “paradigm shifters.” The only problem is that many of us are too busy to read and absorb their work. The impact of these great writers should never be underestimated.

Do not give new staff new assignments

When an organization wants a new system implemented it is very tempting to hire someone who has expertise, as a consultant or as a permanent appointment. Drucker pointed out that they do not stand a chance, as staff who are concerned about the change will do their utmost to destabilize the project. He referred to these jobs as widow makers, jobs where the incumbent did not have a chance to succeed. Instead, you need to appoint an in-house person best suited for the role--someone who is well respected in the organization, who has a pile of IOUs which they can use when favors are required. Staff will support the new initiative more readily when it is led by such an appointee.

Recruitments are a life and death decision

Drucker talked about recruitment being a life and death decision. In other words, better to spend forty hours over a recruitment or promotion decision rather than spending four hundred hours sorting out the problem at the bottom of the cliff.

Drucker was very specific about rules over recruitment. You must know the job; you need to be well acquainted with the candidates in order to be familiar with their strengths and values. It is

essential the potential new recruit's values are a good fit with the organization. You can train as much as you like but you will never be able to change values as they are part of a person's DNA.

Recently I met an owner of a private hospital. He had placed a person into the CEO position knowing he had a track record of buying deals. Within a short space of time fictitious employees were on the payroll, and it cost one million to prosecute the case. The CEO was able to extend the case so no conclusion was reached. That recruitment cost much more than 400 hours!

One aspect of recruitment Drucker strongly advocated is that it is imperative to perform detailed reference checks to really ascertain the candidate's values. Obviously this means tracking back to previous companies rather than rely on the referees listed on the curriculum vitae.

Drucker liked things in threes. He recommended short listing three candidates to ensure you have an abundance of choice. He would strongly advise this selection process to avoid making a decision where there was only one satisfactory candidate.

Drucker was adamant that you never worried about weaknesses. He pointed out that many famous leaders had appointed staff with known weaknesses because their strengths fitted the job so well.

The scarce resource in an organization is performing people.

Drucker highlighted that these scarce resources need to be specifically monitored and not taken for granted. Their goals should be hard enough to stretch them and keep them interested.

Who of your non-customers should you be doing business with?

Only Drucker could coin a phrase, "non customers", yet it gets right to the heart of the fundamental issue. Every private sector government and not-for-profit organization is missing customers it should be servicing. This is particularly relevant in the government and not-for-profit sectors where members of the public, who should receive a service, are either unaware or too proud to ask for help. By constantly focusing on non-customers, an executive team can find these customers and look after their needs.

Abandonment

Drucker said: "The first step in a growth policy is not to decide where and how to grow. It is to decide what to abandon. In order to grow, a business must have a systematic policy to get rid of the outgrown, the obsolete, and the unproductive." "Don't tell me what you're doing, tell me what you've stopped doing."

Here, Drucker is saying that we need to always look forward and recognize that the cash cows of today will likely be overtaken by tomorrow's technology. We therefore have to make obsolete our past success.

Measuring the extent of innovation and abandonment will help focus management's attention on these two important areas. Abandonment of that which is obsolete or unproductive is a sign

that management recognizes that some initiatives will never work as intended and it is better to face this reality sooner rather than later.

Drucker knew more than anyone that human beings never like to admit a mistake or own up to failure. To avoid facing the truth we hope circumstances will somehow conspire to make a ‘silk purse out of a sow’s ear’. He saw abandonment as fundamental as breathing, a natural passing of old to new. Examples of abandonment he talked about included

- Cash cows of the past (which were no longer generating the income to justify their continued existence)
- Rectifying recruitment mistakes (no matter how good your recruitment process is, you will make mistakes and these staff need to be told they need to move on)
- Unsuccessful projects
- Systems that are not delivering
- Processes that we have maintained only because we did it last month, last quarter, last year.

Innovation

Drucker realized the importance of innovation. He was aware of the many barriers put in front of staff that would inhibit innovation and performance. He was a great advocate of change, management going with ideas when not all the detail was known, being prepared to make mistakes rather than establish a feeling of paralysis.

He loved everything Japanese, in fact it was a passion, a safe haven, for him. One of the most important Japanese principles is Kaizen. The introduction to staff that every day they should look to perform something better, to innovate, to eliminate unnecessary steps, to question the past and to assume everything can be improved. You just have to find the way. Toyota is famous for their commitment to Kaizen.

Drucker believed that management should invest the necessary mental horse power to find better solutions. The solutions would be relentlessly discussed with all teams affected “that every brain in the game” was used. Once a solution was found it should be implemented in three pilots (as I said Drucker loved doing things in threes) to ensure the benefits would meet expectations.

He was adamant that the rising stars in the organization should not be absorbed with propping up the old cash cows and instead be freed up to run with the new business opportunities.

Have an outside-in focus to your business.

Throughout his writings Drucker emphasized the importance of the outside/in perspective. Recently a television reality program has replicated this concept with the “CEO undercover” series. Drucker pointed out the importance of the CEO being the outside-in champion. One great CEO I have met takes the executive team for a one-week exercise per year where the existing staff show them the ropes. His executive teams have run the “Happy Road” employment centre, a betting agency, an income support centre and a tourist information centre. The importance of seeing the processes is akin to Toyota’s “use visual controls so no problems are hidden”.

The executive team, who are duty bound to undertake mundane tasks, ask the staff, “Why am I having to copy this out three times?”, “Why have I got to have a hard copy when I have an electronic copy?”, “Why do I have to enter so much detail in the database?” The staff replied “These are the procedures that you approved!”

On returning from this week the executive team are refreshed, are a tighter knit group whose priorities have changed completely. Now they focus on initiatives that are more focused on the customer, ones that will help the staff at the workplace service their clients better.

Collaborate with other organizations—even your competitors.

He saw business as a “Lego” construction, where you could bolt together services provided either in-house or externally. He was referring to the fact that it was now easier than ever before to amalgamate different services from different entities and market it seamlessly to the customer as one entity. Businesses should be full of activities (pieces of the business) performed by third parties.

He stated that there was not competition but just better solutions. Drucker saw collaboration as the key to operating in this world, even with an organization that you previously saw as a competitor.

In the government and not for profit agencies, collaboration has the same barriers as in the private sector. Egos and past institutional memories seem to prohibit staff from striking effective alliances with other organizations that can perform the service better and cheaper. As Drucker put it “Your back room is somebody’s front room”. He even went on to say that an organization could achieve almost all functions from collaboration. Drucker saw only marketing and innovation as being sacrosanct in-house activities.

Jack Welch turned General Electric into a powerhouse by focusing on what GE was good at. In other words, if others can do a better job than you can, then subcontract to them rather than diverting energy. Trying to be good at everything is a task that is impossible to achieve.

Execution—first and always.

Drucker, like all the other writers, did not follow the model of planning in such detail that execution of steps was seen as a secondary event.

Generate three protégés for senior positions.

Drucker was adamant that the CEO and the senior management team should be home grown, and it was the key responsibility of a leader to nurture three protégés.

He was firm in his belief that a leader’s role was largely to prepare the organization for life without them. He thought it was a failure if the next CEO had to be sourced from outside. Drucker pointed out the advantages of continuity, culture and acceptance. Naturally, the two in-house candidates who were not successful were expected to move to CEO positions elsewhere as they were primed for this role. The creation of CEOs has been a feature of good to great companies in Jim Collin’s book and can be seen in companies such as Toyota and GEC.

The Toyota 14 Management Principles

I believe Toyota to be possibly the greatest company in the world. It has 14 principles which are the backbone to its culture and Toyota can embed these principles in all countries it operates within. Its Kentucky plant in the USA exceeded all Toyota expectations with its acceptance of the Toyota Way. To understand the Toyota principles one needs to read Jeffrey Liker's book The Toyota Way. He has broken them down into four categories as set out in Exhibit 1.

Exhibit 1 Jeffrey Liker's analysis of Toyota's 14 principles



I believe that Toyota's 14 principles should be incorporated in all private, government and non profit agencies as best they can. They would make a profound impact on the organizations, benefitting the staff, management, board and customers. The 14 principles are set out in Exhibit 2.

Exhibit 2 Toyota's 14 principles

Philosophy	Principle 1: Base your management decisions on a long-term philosophy, even at the expense of short-term financial goals.
Process (Eliminate waste)	Principle 2: Create continuous process flow to bring problems to the surface.
	Principle 3: Use "pull" systems to avoid overproduction.
	Principle 4: Level out the workload (Heijunka).
	Principle 5: Build a culture of stopping to fix problems, to get quality right the first time.
	Principle 6: Standardized tasks are the foundation for continuous improvement and employee empowerment.
	Principle 7: Use visual control so no problems are hidden.
	Principle 8: Use only reliable, thoroughly tested technology that serves your people and processes.
People and Partners (Respect, Challenge, and Grow Them)	Principle 9: Grow leaders who thoroughly understand the work, live the philosophy, and teach it to others.
	Principle 10: Develop exceptional people and teams who follow your company's philosophy.
	Principle 11: Respect your extended network of partners and suppliers by challenging them and helping them improve.

Problem solving (Continuous Improvement and Learning)	Principle 12: Go and see for yourself to thoroughly understand the situation (Genchi Genbutsu).
	Principle 13: Make decisions slowly by consensus, thoroughly considering all options and then implement the decisions rapidly.
	Principle 14: Become a learning organization through relentless reflection (Hansei) and continuous improvement (Kaizen).

Create continuous process flow to bring problems to the surface


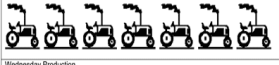
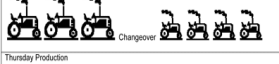


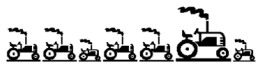
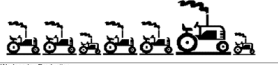
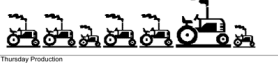
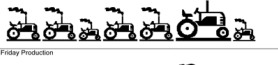
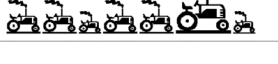
This is an important principle for the finance team to master. Here each process is reviewed for its current timeline and then shortened to eliminate waste. The finance team need to master lean for themselves and the organization. Mastering this will leave a legacy and add to your salary.

One of the best methods to monitor timelines is “Post-It” re-engineering which is covered later on in the paper.

Level out the workload (Heijunka)

This is a major breakthrough. It points out that if you streamline processes and eliminate bottlenecks you can make smaller production runs viable and indeed desirable. In a tractor company where the major sales are for the midsized tractor the lean manufacturer would manufacture them according to daily demand as Exhibit 3 shows. The better matched production to demand reduces the need for finished goods stock holding considerably.

Exhibit 3 Matching production to sales

Traditional view of long production runs	Manufacture according to customer demand
<p>Monday Production</p>  <p>Tuesday Production</p>  <p>Wednesday Production</p>  <p>Thursday Production</p>  <p>Friday Production</p> 	<p>Monday Production</p>  <p>Tuesday Production</p>  <p>Wednesday Production</p>  <p>Thursday Production</p>  <p>Friday Production</p> 

Build a culture of stopping to fix problems, to get quality right the first time

This is an important principle for the finance team to master. Finance teams invariably go from:

- one month-end to another without improvement

- one annual plan to another without improvement
- one year-end to another without improvement.

Whereas if we adopted this Toyota principle we would evaluate, after process has finished, and ask what can we do better next month, next year.

We would reduce the number of internal transactions, the number of spreadsheets and constantly review each processes' timeline to further eliminate waste and shortened timelines.

Use visual control so no problems are hidden

Toyota is famous for it's "and on cord" if problems occur. Andon refers to the pull cord where any worker on the production line can stop production, and ask for help, if they see a fault that cannot be fixed by them or the next workers before it will be covered up by a panel. Immediately lights flash and that part of the production line is halted. The workers below are unaffected as there is a feed in line with about eight minutes of product to work on. Trained engineers rush in and fix the problem. They have up to eight minutes before the whole production line will be halted. The ability of anyone to stop production and activate the flashing lights to get the roaming engineers to the spot quickly is a major advantage Toyota and other manufacturers have when using this visual control.

Visual control is an important principle for the finance team to master as many reports need a rocket scientist to read them. Whereas if we adopted this Toyota principle we would make:

- all reports so clear that nobody needs to ask questions about them – I call it passing the 14-year-old test
- use some sort of "and on cord" like a "red cone" so staff, within the accounting function, can signal that they are having a problem that might delay an accounting process, at month-end / annual planning/ annual accounts
- use of staff notice boards, screens in canteens to report progress

Respect your extended network of partners and suppliers by challenging them and helping them improve

This is an important principle for the finance team to master as it will involve:

- ensuring all transactions from major long term suppliers are paperless
- maximising the use out of the G/L, planning tool, reporting tool by constantly improving the use of their features
- streamlining certain processes to one contractor e.g. purchasing stationery, travel requirements from one national supplier

Use only reliable, thoroughly tested technology that

serves your people and processes

Toyota are never the first to use a new technology. They let others break-in the new ground. They are, without doubt, the best users of a new technology once they have ascertained that it will serve their staff and their processes.

This has important ramifications for the finance team in the selection of a new G/L, a planning tool, and a new accounts payable system.

Go and see for yourself to thoroughly understand the situation (Genchi Genbutsu)

Toyota supervisors and managers are always expected to “walkabout” to see for themselves what is happening. They do not rely on written reports or meetings. The Finance team should do more walkabouts especially with:

- setting up new “paperless processes” with key suppliers
- reducing waste within operations
- visiting best practice sites around the world.

I firmly believe if CFOs visited more sites that are using their intended new applications they might think twice. I am referring to some of the large G/L applications that are so complex only rocket scientists can implement them, and the organization and their bank account are now taken hostage for the foreseeable future.

Make decisions slowly by consensus, thoroughly considering all options and then implement the decisions rapidly

Toyota is very slow in the planning stage but very fast in the implementation and commissioning as everything, I mean everything, has been discussed and contingency plans agreed, ready for action if required. The Finance team should take heed of this principle especially with the:

- changing of the general ledger
- purchasing a planning tool
- migration from annual planning to quarterly rolling forecasting

Become a learning organization through relentless reflection (Hansei) and continuous improvement (kaizen)

One thing that sets Toyota apart from nearly all organizations is its continuous improvement. Every employee is expected to reflect each day “what could I do better tomorrow” and come up with at least one innovation per month, no matter how small. The Toyota average, internationally, is 10 innovations per employee per year.

All the great paradigm shifters such as Peter Drucker, Jim Collins, Peters and Waterman have preached the need to innovate and not spend too much time trying to second guess whether it will work or not.

All the built to last companies came up with their big ideas through a bit of serendipity. Jim Collins refers to it as very much like Darwin's survival of the fittest. Try a lot of things and only let the strong ideas survive. In the Motorola example he points out that Motorola see innovation very much like a growing tree, you let it branch out but you are also constantly pruning.

Jim Collins has created a blue print for evolutionary progress based on analyzing 3M. These five steps are:

- **Give it a try and make it quick.** When in doubt, vary, change, solve the problem, seize the opportunity, experiment, try something new even if you can't predict precisely how things will turn out. No matter what, don't sit still.
- **Accept that mistakes will be made.** Since you can't tell ahead of time, which variations will prove to be favorable, you have to accept failures as an evolutionary process.
- **Take small steps.** It's easier to tolerate failed experiments when they are just that, experiments, not massive corporate failures.
- **Give people the room they need.** When you give people a lot of room to act you can't predict precisely what they will do, and this can be beneficial. 3M give their staff 15% of discretionary time to play around with ideas. The "Post It" note was developed this way.
- **Mechanisms/build that ticking clock.** 3M ideology creates an environment where innovation was cut loose. 3M does not just throw a bunch of smart people in a pot and hope that something will happen. 3M lights a hot fire under the pot and stirs vigorously.

A Questionnaire to Assess How Future Ready You Are

Area	Lean finance team benchmarks	Score
Technology adopted	Have adopted the following technologies.	
	▪ Implemented a planning and forecasting tool	See section below
	▪ Have invested in accounts payable automation and electronic expense claim systems.	3= operational
	▪ Have a reporting tool	2= operational
	▪ Have a drill-down front end to the G/L	2= operational

	▪ Have consolidation software.	2= operational
	▪ Have intercompany software	2= operational
	▪ Have a collaborative disclosure management software	3= operational
	▪ Have a board papers tool	3= operational
Month-end accounts	Fast month-end by day three or less (by next month-end); reporting by the close of the first working day within 12 to 18 months and be able to report net profit intra-month (virtual reporting) inside of three years.	5= Day 2 or less 3= Day 3 or less 1= Day 5 or less
Lean reporting	Have significantly reduced the reporting pack, have constructed some one-page reports and have more emphasis on intra month reporting.	5= Finance pack less than 10 pages and have daily and weekly reporting 3= Finance pack 11-15 pages and have some daily and weekly reporting 1= Finance pack 16-20 pages and have some daily and weekly reporting
Year-end accounts	Commit the auditors, your finance team, your board and executives to a 15-working-day signed set of annual accounts.	5= within 3 weeks of Y/E 3= within 6 weeks of Y/E 1= within 9 weeks of Y/E
Annual planning	Produce the annual plan in less than two weeks from the rolling planning exercises.	5= within 2 weeks 3= within 4 weeks 1= within 8 weeks
Quarterly rolling forecasting	Plan funding and associated budgets using a rolling quarterly model. Annual planning has either been totally replaced or, at least, is on its way out.	5= annual plan replaced by QRF process that looks out 12- 18 months 3= QRF process main driver but still have an annual plan 1= annual plan main driver but also have a QRF process
Key performance	Work with no more than 10 KPIs in the organization. The other operational measures that are not key to operational performance	5= Have less than 10 KPIs that confirm to definition

indicators (KPIs)	should number less than 80 and be renamed (see the 10/80/10 rule in Chapter 18).	3= Have no more than 20 KPIs 1= Have no more than 30 KPIs
Excel ad hoc systems	All spreadsheets over 100 rows are replaced with a robust solution using one of the modern planning and reporting tools now readily available.	5= Planning tool and reporting tool have replaced Excel 3= Have a planning tool but use Excel for reporting 1= have limited Excel for major systems but still use it for planning
Streamlining the chart of accounts	Having over 50 account codes for profit and loss (P/L) is unnecessary and leads to miscoding and is anti-lean.	3= less than 50 account codes for the P/L 2= Have between 50 -80 account codes for the P/L 1= have 80-100 account codes for the P/L

A score of 20 is a great result.

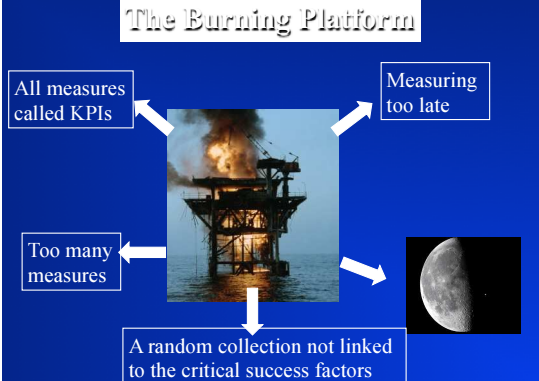
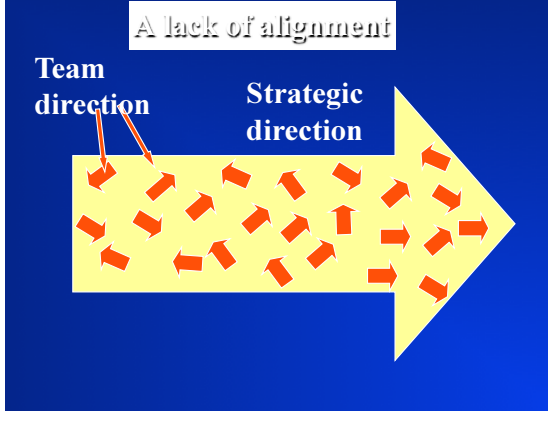

Chapter 2

Leading and Selling the Change

Book reviews to Download

The Three Laws of Performance by Steve Kaffron and Dave Logan	http://keithdwalker.ca/wp-content/summaries/q-z/The%20Three%20Laws%20of%20Performance.EBS.pdf
Leading Change by John Kotter	http://www.au.af.mil/au/awc/awcgate/usafa/review_1eading_change.htm http://www.metricationmatters.com/docs/LeadingChangeKotter.pdf

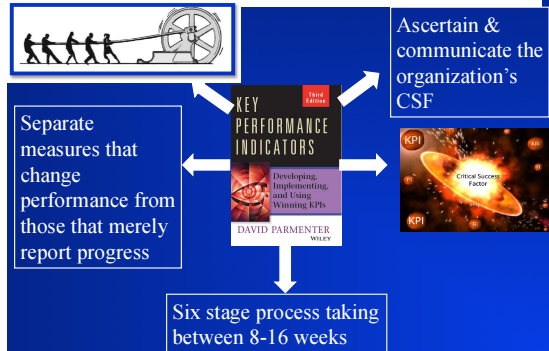
Selling KPIs in Your Organization

<p>Why we need to implement Winning KPIs in our organisation</p> <p>Presented by _____</p>	<p>The Burning Platform</p> 
<p>A lack of alignment</p> 	

The characteristics of KPIs

- Non financial & measured frequently e.g. daily or 24 by 7
- Has a significant positive impact (e.g. little dark side & linked to the organisation's CSFs)
- CEO can ring somebody and they understand the measure and what corrective action is required

Methodology has stood the test of time



Seeking permission to run a one day focus group



Our next steps are:

- Approval to run a one day focus group to ascertain project's likelihood of success
- Prepare project plan based on feedback
- Come back to you to seek permission to run project

Selling Quick Month-End Reporting

Quick month end reporting by day 3 or less!

Presented by _____
_____ 20__

The default future

- Huge cost of month-ends
- Locks the accounting team into being a **processing centre**
- Month-end reporting does not create much **value** (the horse has bolted)
- Part of the **trifecta** of lost opportunities
- Accounting teams are reporting quicker and quicker (some **day one reporting**)
- CEOs want more **advisory time**

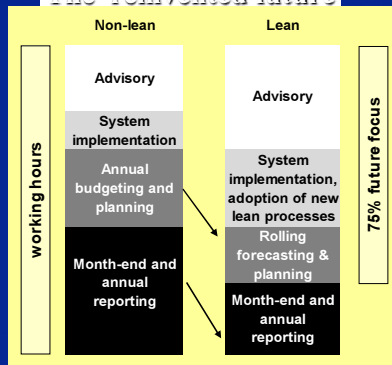
Too much time invested in month-end



500 FTE organisation with monthly management and Board reports

	Accounting team	BHs	Direct reports	SMT
Working days per month	7.5 to 12	70 to 100	50 to 100	11.5 to 18.5
Average salary cost	\$65,000	\$80,000	\$55,000	\$200,000
Average productive weeks	42	42	42	32
	Low	High		
Average personnel cost	\$600,000	\$1,100,000		
Consultants reports	\$100,000	\$200,000		
Estimated annual cost of monthly reporting to managers, SMT and Board	\$700,000	\$1,300,000		

The reinvented future



Effect of a quick month end

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	18	13
	60% more	40% more	

Based on a 22 working day month

Benefits of a quick month-end to the finance team

- **Locking in efficiency** – accounting function bottlenecks tackled, many m/e processes abandoned, leads to very quick year-end
- **Higher morale and increased job satisfaction** – finance staff now help shape the future
- **Greater budget holder ownership** – accruals, variance analysis, corrections made during the month, better understanding

History of quick reporting

- Over ten years ago day one reporting arrived e.g. Johnson & Johnson & Motorola
- **Now its the virtual close:** CISCO, Motorola, Oracle, Dell, Wells Fargo, Citigroup, JP Morgan Chase and Alcoa

What is day one reporting (DOR)?

- “It is about condensing the monthly reporting process down so that it is completed and management reports issued all within Day 1”
- All the below are completed by 5pm Day 1
 - transaction information is processed
 - accruals raised
 - consolidations complete
 - reports prepared
 - commentary/analysis added
 - reports issued

Quick month-end reporting is about behavioural change


- Budget holders: timely approvals, using PO system, monitoring G/L
- The accounting team: more estimates, earlier cut-offs, more walkabout
- Senior management: investment into systems, accepting concise reporting, buying into QRP

Major steps we can do before next month-end

- Establish m/e reporting rules for the finance team
- High processing at month-end
- Inter-company adjustments
- Closing-off accounts payable, accruals and accounts receivables, CAPEX
- Inventory cut-off including estimation of WIP
- Day one procedures inc. a flash report
- QA processes in Day 2 &3

Establish m/e reporting rules within the finance team

- Month-end can never be right, it can only be a true and fair view – therefore do not delay for detail
- Report to be concise (less than 9 pages) & error free and only comment on major variances (Q)
- Ban spring cleaning at month-end and allow adjustments offset each other “overs and unders”




Catch all adjustments in an ‘overs

Source	Raised by	JV #	Adjustment	P/L impact		B/S impact	
				Dr	Cr	Dr	Cr
Budget holder	Pat	1	Dr Consultancy Fees (Dept 10)	45			
			Cr Consultancy Fees (Dept 12)		45		
Budget holder	John	2	Dr Training courses (Dept 6)	10			
			Cr Training courses (Dept 16)		10		
Debtors review	Jean	3	Dr Bad debts write-off (ABC in liquidation)	25			
			Cr Provision for doubtful debts				25
xxxx	Dave	4	Dr xxxx xxxx				
			Cr xx x x xxxxxxxx		15		15
			etc:				
				80			
					70		
			Net impact on P/L	10			


12

Avoid a huge wave of AP invoices at m/e



- Avoid having payment runs at month-end, best to have weekly or daily direct credit payment runs
- Clear budget holders top drawers and ensure they, in the future, never get the original invoice
- New cycle for “monthly invoice” suppliers e.g. 26th May to 25th June – Telecoms, Power, Stationery, Visa

Early closing of the accounts payable ledger



- Cannot justify closing off A/P after last day – you will never get all invoices in
- Close-off accounts payable at noon on the last working day, (day-2 AP cut-off is also used)
- Need major “walk about” drive by AP team to educate budget holders

Reader to continue with additional slides sourced from reading the book.

Leading and Selling Change Checklist

Key tasks to complete	Tick if covered
Leading and Selling Change	
Do you fully understand the process of leading and selling change?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you read the book review on John Kotter’s “ <i>Leading change</i> ”?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you read the book review on Kaffron & Logan’s “ <i>The Three Laws of Performance</i> ”?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you applied these methods to a recent project?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Chapter 3

Rapid Month-End Reporting: By Working Day Three or Less

Draft Set of Month-End Rules for the Finance Team

Based on better practice from around the world our finance team is going to complete its month-end reporting radically quicker. Instead of reporting in ____ days to the CEO we are targeting ____ days next month.

This change is only possible when we adopt new practices and discard processes that are broken, time consuming and of questionable benefit. We need, as Peter Drucker preached, to embrace “Abandonment”.

Accountants are all artists: we sculpt a month-end result and there is no such thing as a ‘right’ number, only a ‘true and fair’ number. The finance team need only do enough to arrive at a ‘true and fair’ view. All work done after this point has been reached will thus not be adding value. The new rules for the finance team during month-end reporting are:

- We will not delay for detail. If we have not got a final number by the last working day we will estimate, or cut-off the last days transactions and include them in the next month’s activities.
- Materiality for a misstatement to any month-end result is _____. To this end we need to limit the number of journals posted as many are immaterial. From now on I propose that:
 - no department is to raise accruals if the total accrual is less than _____
 - no one debit in an accrual listing can be for less than _____
 - no journal voucher is to be raised at month-end for less than _____
- There is a ban on spring cleaning at month-end. Month-end reporting is not the time for spring cleaning no matter how tempting it can be. All miscoding, unless resulting in a material misstatement of the P/L, are processed during the following month. Budget holders are to be educated to review their cost centre numbers via on-line access to the G/L during the month and are requested to highlight any discrepancies immediately with the finance team.
- We want to have a regime where we catch all material adjustments and see the net result of them before any decision is made to adjust. All adjustments are to be processed first on two ‘overs and unders’ spreadsheets, see Exhibit 1, at the close of the last working day. One to trap major adjustments, say over _____, and one for smaller items. If we find adjustments we are to enter them on the appropriate spreadsheets that reside on a shared drive on the

local area network. I am expecting that the adjustments will have a tendency to net each other off.

- If there is a material misstatement of the net result we will process one or two appropriate adjustments and then remove them from this schedule. This will bring the total of the overs and unders to an acceptable figure. We then process all the other adjustments during the quiet time in the following mid-month.

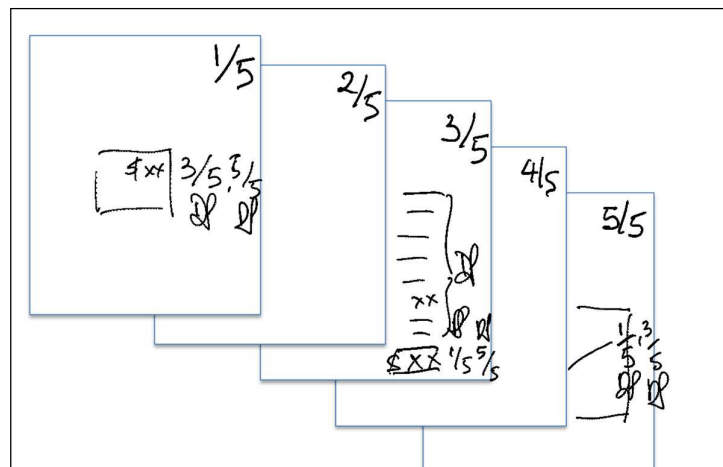
Exhibit 1: maintaining an 'overs and unders' schedule

Source	Raised by			Adjustment	P/L impact		B/S impact	
					Dr	Cr	Dr	Cr
xxxxx	Pat	1	Dr	fdgdhfsdhfsdhfgg ergerqerry ertyqe	45			
			Cr	fasd fasd as asdas d		45		
xxxxx	John	2	Dr	xxxx xxxx	10			
			Cr	xx x x xxxxxxxxxx		10		
xxxxx	Jean	3	Dr	xxxx xxxx	25			
			Cr	xx x x xxxxxxxxxx				25
xxxxx	Dave	4	Dr	xxxx xxxx		15		
			Cr	xx x x xxxxxxxxxx				15
		etc						
					80	70		
					-70			
				Net impact on P/L	10			

- Hunting for the perfect number is now unacceptable, it does not exist. We are thus closing off all ledgers either by 5pm last working day or by noon last working day.
- Reporting will cover only major revenue and cost categories, with account code analysis left to a drill-down tool.
- The final report will be concise - less than a 10-page finance pack e.g., we will only include a one-page report on each major business with minor businesses being reviewed by the CFO and omitted from the pack.
- Reporting on a page e.g. P/L has summary numbers, trend graphs and bullet point comments all on one page.
- We will no longer reconcile suppliers' statements because:
 - The supplier accounting systems are often flawed and unreliable.
 - Missing invoices will be picked up through supplier phone calls
 - It is not an internal control process, and will be removed from. the procedures manual. I have discussed this with the auditors and they have agreed with the removal of supplier reconciliations.
 - The costs of performing the reconciliations is greater than the benefits of doing them.
 - We invest the time in having good systems in-house picking up liabilities as they arise (the fence at the top of the cliff).
- We will issue a flash result to the CEO by close of the first working day. The flash report on the profit and loss statement (P/L) will state the net result to within + or – 10%.

- The final report will have extensive quality assurance checks. We will never issue a report to the CEO or Board that is not internally correct. It is far better to hold off processing last minute adjustments than it is to compromise quality. The quality assurance checks will include:
 - Checking all numbers for internal consistency within the report. Mark all pages with a number, e.g., for a five-page report mark 1 of 5, 2 of 5, see Exhibit 2. For every number that appears elsewhere, either in a box, table or graph write the page reference where it appears again, by the number, and initial to indicate that you have checked this number in the subsequent page and it is right.
 - A two person read through where one staff member reads aloud the report while another staff member follows the words on report. This will eliminate all spelling and grammatical errors and make the report an easier read.

Exhibit 2: Checking for consistency



- Every month-end is to benefit from our innovative ideas. After every month-end we will hold a finance team meeting to discuss what went well during the month and month-end reporting process and then discuss what new innovations we can adopt this month. This will be a working breakfast at _____ paid for out of the finance budget.

Month-End Reporting Checklist

There are a wide range of steps that can be taken for tackling month-end processing. Set out below is a checklist for you to see if you are utilizing all of them.

Key Task	Tick if covered
All management aware of the problem with a slow m/e	<input type="checkbox"/> Yes <input type="checkbox"/> No
Buy-in obtained from CEO and senior management team (SMT)	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have held a “post-its” re-engineering workshop where all relevant people have attended .	<input type="checkbox"/> Yes <input type="checkbox"/> No

Adopted Scrum and Kanban agile techniques.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Mandate made by SMT that all service operations are to adhere to new deadlines issued by the QMERT .	<input type="checkbox"/> Yes <input type="checkbox"/> No
Rigorously apply the Pareto principle (80/20), focusing on the big numbers and establish materiality levels (e.g., >\$_____ for any debit entry in an accrual list, >\$_____ for any accrual total from a department etc) .	<input type="checkbox"/> Yes <input type="checkbox"/> No
Manual journal entry line items reduced by over 50% (80% has been achieved).	<input type="checkbox"/> Yes <input type="checkbox"/> No
Eliminated all interdepartmental corrections at m/e.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Eliminated management review of budget holder's numbers as budget holders now have responsibility to resolve issues.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Estimates used to avoid slowing down process.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Eliminated all spreadsheets over 100 rows from month-end	<input type="checkbox"/> Yes <input type="checkbox"/> No
Set up an "overs and unders" schedule to catch material adjustments (this allows the natural set-off to occur reducing the processed adjustments). Only process those that lead to a material misstatement	<input type="checkbox"/> Yes <input type="checkbox"/> No
Set up an "overs and unders" schedule to catch minor errors . Do not post these. Simply investigate reasons and give training so they will not happen again.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Budget holders tracked activity throughout the month eliminating the usual surprises found during the close process.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Allocations, if used, are now processed without seeing departmental spending.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Preparations for m/e close moved before period end instead of after.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Moved all month-end cut-offs to the last working day (Day -One) or the day preceding day (Day-Two) (e.g., AP cut-off, accruals cut-off).	<input type="checkbox"/> Yes <input type="checkbox"/> No
Developed concise one page reports.	<input type="checkbox"/> Yes <input type="checkbox"/> No
All key systems upgraded to be on-line real time.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Removed duplicate data entry.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Ceased to perform reconciliations of suppliers' statements	<input type="checkbox"/> Yes <input type="checkbox"/> No
Management accountants assigned to budget holders.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Closing-off capital projects one week before month-end.	<input type="checkbox"/> Yes <input type="checkbox"/> No
In last week only essential operating entries are processed.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Issuing a flash report by end of first working day.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Final number and commentary ready by at least close of business Day Three.	<input type="checkbox"/> Yes <input type="checkbox"/> No

Bring management meetings to the third working day after month end, effectively locking in the benefit.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Adopted a continual focus on process improvement e.g. every month some new change is implemented to improve processing by adopting Kaizen meetings	<input type="checkbox"/> Yes <input type="checkbox"/> No
Set up league tables allowing natural competition between sectors to reduce errors (nobody likes being on the bottom).	<input type="checkbox"/> Yes <input type="checkbox"/> No
Set up listings of process breaches for the CEO to follow-up with errant budget holders.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Started counting errors e.g. Motorola went from 10k errors for 700,000 to 1000 per 2m events	<input type="checkbox"/> Yes <input type="checkbox"/> No
Using a consolidation tool rather than Excel	<input type="checkbox"/> Yes <input type="checkbox"/> No
Map different chart of accounts to a consolidated summary set in the consolidation tool (thus allowing subsidiaries to keep their own accounting systems and chart of accounts)	<input type="checkbox"/> Yes <input type="checkbox"/> No
Closing on the same day each month (4,4,5 reporting periods per quarter).	<input type="checkbox"/> Yes <input type="checkbox"/> No
Pushing processing back from month end by avoiding having payment runs, inter-company adjustments etc. at month-end.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Re-focus of “variance to budget” reporting to YTD variances which are more stable, or better still to latest forecast for the month.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Limit budget holder’s reports to one page (about ten lines of numbers, a couple of graphs and a third of a page for commentary).	<input type="checkbox"/> Yes <input type="checkbox"/> No
Banned all late changes to the reports once the flash report has been sent to the CEO unless a material misstatement.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Performing a call through on the final report. One person reads the report out aloud to another person who is reading it simultaneously. This will help find all grammatical and spelling errors.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Letting the financial report, written by the management accountant, go unaltered to the CEO and the Board.	<input type="checkbox"/> Yes <input type="checkbox"/> No

Month-End Bottlenecks and Techniques to Get Around Them

These bottlenecks and techniques are sourced from the waymark benchmarking study of accounting functions which has over 300 accounting teams from all sectors comparing their practices and achievements against each other.

Bottleneck	Proposed course of action
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1. High processing at month-end	Pushing processing back from month end by avoiding having payment runs at month end. Better practice is to have weekly or daily direct credit payment runs but none happening within the last and first two days of month end. The last thing you need is to receive a swag of invoices.
2. Inter-company adjustments	Ban all inter-company adjustments at month-end except for internal profit adjustment.
3. Closing-off accounts payable	Immediately close off accounts payable on the last working day, or better still noon on the last working day with transactions in the afternoon carried forward to the first day of the new month. There is no company I have come across that can justify closing off accounts payable after the last day of the month.
4. The accruals	Close off accruals on day -2, see below.
5. Closing-off accounts receivables, especially handling the last days sales invoices	Immediately close off accounts receivables on the last working day, or better still noon on the last working day with transactions in the afternoon carried forward to the first day of the new month.
6. Inventory cut-off including the handling of WIP	Make the cut-off on last working day.
7. Last weeks' time sheets	<p>For non-revenue generating time sheets</p> <ul style="list-style-type: none"> ▪ get staff to complete by day -3 ▪ include best guess for remaining two days ▪ project forward on last week <p>For revenue generating time sheets</p> <ul style="list-style-type: none"> ▪ timesheets from staff required by 9am last working day ▪ with best guess on for the afternoon <p>If the staff do not know what they are doing on the Friday by the start of that day maybe they should be working for your opposition!!</p>
8. Old accounting system	Much can be achieved with an old system. This is not an excuse for not reaching day three reporting!! If you still believe it is you need a paradigm shift in your thinking.
9. Supplier interfaces	Look to sort out those major suppliers. Consider self-processing supplier invoices where you raise the supplier invoice based on quantity supplied times the contract unit price. This involves obtaining the supplier's GST number, and establishing a unique invoice number sequence using say the first three letters of your company, 2 letters of theirs and 4 numbers e.g. dsbbd2004.

10. Awaiting budget holder's reports	Re-focusing of "variance to budget" reporting on to the year to date variances which are more stable and limit budget holder commentary. This is often of little use as it discusses the variance analysis against the budget for the month which is, as we know, a flawed yardstick. You simply get many variations of "the reason for this is a timing issue", "conditions have changed since the budget was established", "the staff have not yet been recruited" etc. I once saw a pile of reports on a finance manager's desk, when asked what they were he said the budget holder's month-end reports. "What do you use them for" I asked? "I do not use them, I ring them if I need an explanation of a major variance" he replied. Hundreds of hours of budget holder time was wasted each month which could have been better spent getting home at a reasonable hour!!
11. The report writing stage	Letting go of report writing and producing more useful information during the month, see below for details.
12. The monthly forecast	Replace the month end forecast with a quarterly rolling forecast. By removing the meaningless top-top monthly forecast of the year-end position which typically is based on an error prone Excel spreadsheet to a robust quarterly rolling forecast that is bottom-up and designed in a planning tool management will save time in this area that often is the last thing to delay the month end.

Chapter 4

Future-Ready Technologies

The Ballance Nutrients Case Study into Selecting and Implementing a Planning Tool

Implementation of TM1 by Ballance Agri-Nutrients

Ltd

I first came across Ballance many years ago when I was running a benchmarking service for accounting functions. They were already hungry for data comparisons and showing leadership in a number of areas. So it came of no surprise when I recently heard about their planning tool implementation. I consider it one of the best I have come across and a case study for others to replicate.

Background to Ballance



Ballance is a farmer-owned co-operative with 700 employees and more than 18,000 shareholders, who in 2013 were paid \$61million in rebates. Ballance is one of New Zealand's 'Top 50' businesses, controlling assets of \$568 million and in 2013 company turnover was \$878 million (in a drought impacted year).

Ballance has been moving from commodities “processing chemicals” to delivering best results with agri nutrients. This requires greater conversion of data into information and open sharing of information with shareholders. The recently developed Agri-Hub software is an example. The Shareholder has their farm mapped in detail by satellite. The system also captures a range of data, recorded on the -farm and from external sources – from pasture covers to effluent irrigation patterns. Thus giving shareholders greater data about their lands performance.

Ballance also has one of the New Zealand's largest SAP software implementations, including SAP applications for business intelligence (BI), supply chain management, finance, and process integration. Ballance instigated online ordering 24/7. Allowing clients to view all prior purchases and then order in farm hours rather than in business hours.

Ballance's finance team

The Finance team in Ballance knew they had to move on from their excel forecasting model not only was it unable to deliver the decision based information required it had, like an architect's house, become a monstrosity with many additions over its 15 year life. The excel model had grown to 254 separate workbooks that had to be manually consolidated in a five hour nerve racking consolidation. Staff dreaded the possible appearance of the “ref”, “ref”, “ref” across their screens.

They needed a tool that could help their dynamic organization focus on the future opportunities and threats.

They also needed to migrate away from the annual planning process where budgets were prepared between three to 15 months prior to that period starting. Each month the Ballance team was tied in the circle of chasing their tail to explain why a guess so long ago was wrong.

Scoping the needs and planning tool selection

As an organization with a “thinking approach” to management, Ballance set about assessing which planning tools could deliver their requirements. They used a consultancy firm to ascertain that there were two options for them, the planning tool linked to their GL provider and a tier one standalone planning product.

They hired a planning tool developer to be a facilitator during the blueprint design making it clear that the blueprint must be capable of “going to market” and be implemented by another planning tool provider. In fact they lost out, albeit they were paid for all their facilitation work.

Tool selection and implementation process

Sell concept	1	Secure senior management team (SMT) commitment outlining purpose of solution and benefits both financial and non-financial
	2	Gaining approval for capital expenditure request (CER) for preparation of blueprint for RFP process
Build in-house team capability	3	Socialise with key business players to; <ul style="list-style-type: none">• Identify the business requirements for Financial Forecasting• Identify the outputs that the process will generate• Identify the decisions that will be made from the forecasts generated• Identify the data required to provide that information• Selection of a project team• Establish a steering committee – needs to include project sponsor and business owner for solution as well as meeting at least once a month.
	4	Conduct workshops with facilitator to scope business requirements; <ul style="list-style-type: none">• Start with the business requirements; need to be clearly defined• Establish the data requirements and sources of data• Establish the technical requirements and interfaces• Establish the outputs and reporting requirements
	5	Develop the framework of a comprehensive blueprint – needs to contain enough detail to enable it to be built by a developer.
Buying the right planning tool	6	Use the blueprint as the basis of an RFP process <ul style="list-style-type: none">• Clearly lay out expected outcomes• Select recipients of RFP and outline the terms• Go through selection process

	<p>7 Organize test of the best two PT applications.</p> <ul style="list-style-type: none"> • Having selected, developers complete the blueprint with their solution • Gain demonstration of solution • Negotiate the pricing terms • Close deal subject to Board approval • Gain Board approval for capital spend supported by comprehensive business case
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Build and test model	<p>8 Establish Project build team</p> <ul style="list-style-type: none"> • Ensure dedicated business resource appointed to team • Conduct initial training to ensure familiarisation with solution tool set • Ensure business project manager appointed and developer appoints a project manager
	<p>9 Build new model using in-house teams with external advice</p> <ul style="list-style-type: none"> • Conduct daily status meetings with the two project managers (in-house business project manager and the external developer's project manager) and business owner • Must have dedicated work area separate from business area • Steering committee should be meeting at least fortnightly through this phase • Establish project milestones and ensure project tracks to milestones • Do not compromise on developer unit testing and business UAT testing
	<p>10 Pilot planning tool on two business units</p> <ul style="list-style-type: none"> • Carefully select pilot business units – they must be supportive to the solution and have been involved in the scoping phase • Change management has a significant role in this phase – communications and business solution • Use business developer to support pilot not external developer
Rollout use	<p>11 Change Management is critical to new rolling forecast process</p> <ul style="list-style-type: none"> • No surprises – communications in advance emphasising the why as well as the what • Outline the long term requirements of forecasting emphasizing the benefits to the users and to the business
	<p>12 Roll out training of PT (using in-house experts)</p> <ul style="list-style-type: none"> • Should be staged and conducted by business developer and possibly pilot users • Ensure rollout is timed to coincide with requirement to prepare forecast so users gain ongoing practical use of solution • Ensure helpdesk facility is available to support users and defects are resolved quickly

13	Complete QA processes on the forecasting model in the PT
14	Commence first quarterly rolling plan run
15	Post Implementation Capital Review <ul style="list-style-type: none"> • Should be conducted one or two years after implementation by an independent third party • Review should compare actual results to business case – did the solution meet stated benefits, was it on time on budget, what were the lessons learnt? • Review should be presented to the Board

Implementation of the planning tool

The blueprint design process was based around the Toyota principle “make decisions slowly by consensus, thoroughly considering all options and then implement the decisions rapidly”. They held three two week workshops. Yes, that is six weeks of workshops. This incredible front up investment ensured they had a clear understanding of their needs from the model, how the model should work, that every process in the model was using well thought out logic, and that wherever possible a “helicopter” big picture view was retained.

An important feature was that the implementation was a business rather than finance owned. It was foremost a business tool for the business, by the business, of the business. System testers came from the business not the system provider. This had mutual benefits in that the business had users who understood the system prior to launch and the provider had testers who could ask questions with industry insights.

Rolling Forecasts

The rolling forecasting system balance developed had the following features:

- Forecasts belong to the business
- They need to be rolling, a business view and not based on the financial years
- They have a specific period, 18 months ahead in detail and skeleton 36 months
- Updated every month with inventory planning data and quarterly with financials
- Assumptions are detailed, monitored and reviewed
- Must link into an ERP (enterprise resource planning) system
- Linkage with the sales and operations planning)

Whilst the forecast is owned by the business this does not mean Finance are sitting in the grandstand watching the process. Finance test the process to ensure the right questions were being asked. They test the “what ifs” and understand what the key result indicators are. For Ballance their input ensured that the company’s impressive record on reducing costs and increasing revenue would continue to be supported by this development.

Benefits To Ballance from the rolling planning

The first aim of any benefit is have a great first impression. People will look at the new development and think is this another lemon for us to suck on or is this a star I can follow?

For Ballance the two keys were having the testers in the business and a fast first win with the forecast being produced a month earlier. With this people believed the new TM1 system was better and worth supporting.

The benefits of the model have been profound. Two years on the organization has:

- saved money through better understanding of bank facilities requirements
- solid accuracy in predictions of profitability and dividend payments
- rebates paid to shareholders six weeks earlier improving their cash flow.
- enhanced Ballance's cultural shift into a more future focused organization
- has enabled Ballance to fully recover raw material cost fluctuations through managing margins
- the business now see the planning tool as theirs and are active users

Five insights you could apply to a planning tool implementation

- 1 With forecasting the business focuses on a future view
- 2 The business compiles the forecast. Setting forecasts by Finance is like a parent deciding a child's life; at some point they need to live their own life. Like a parent Finance are there to advise and ask the right questions.
- 3 When developing your rolling forecast; ensure you are working to a robust Blueprint. Otherwise the business will not receive the right information and will set up bootleg channels; downgrading the value of the official forecast.
- 4 Focus on the business key drivers. E.g., Do you only want to know sales; or is average sales value, repeat sales or sales of high margin products? What you want to measure?
- 5 Build in what if scenarios. By reviewing what could be all those SWOT, items can be covered. In the case of Ballance they continue to uncover opportunities.

Implementing technologies checklist

Key tasks	Tick if covered
Maximizing the use of your accounting systems	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you invested in a planning and forecasting tool and migrated all forecasting and budgeting processes on to it?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you invested in your accounts payable systems e.g. scanning equipment, electronic ordering and receipting?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you invested in a reporting tool and migrate all reporting on to it?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Have you invested in a drill down front end if it is not already part of your GL?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you invested in a consolidation tool?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you invested in collaboration disclosure management tool?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you invested in an electronic board paper tool?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you invested in your intranet and website so that customer statements, supplier remittances can be viewed by customers and suppliers respectively using password protection, 24 /7?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are you constantly training your budget holders on how to use the general ledger?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you delegated the responsibility of maintaining their part of the general ledger to budget holders?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you brought back the general ledger consultants for, say, half a day to see where you can better use your general ledger's built-in features?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Implementing a new system checklist

Key tasks to complete	
Have you got the CEO to send out the “you must attend the training session letter” ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you organized a one-day focus group workshop on implementing a new accounting system?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you celebrated every small implementation success (the celebration alone is a great communication tool)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you organized a day or so of public relations support to help sell why BHs should get behind the new system?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you sold the new G/L by the budget holders' emotional drivers? – (remember you do not sell by logic)	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you applied the 1 percent rule for expense account codes (3 to 5 percent for revenue account codes)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you run a focus group workshop?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you set up an “accounting systems newsletter” to cover the “gems” that are found from time to time in the system?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have resisted the temptation to customize the accounting system? – even one modification is one too many!	<input type="checkbox"/> Yes <input type="checkbox"/> No
If you have customized the GL have you made sure you have a copy of the code on all changes to the software put in a time capsule, in the company's bank?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Chapter 5

Reduce Accounts Payable Volumes by 60 Percent

Some Purchase Card Instructions to Download

University of Cincinnati – Purchasing Card Policies and Procedures Manual	www.uc.edu
ANZ – Visa Corporate Card and Visa Purchasing Card Instructions	www.anz.co.nz/resources
University of Canterbury – Purchasing Card Policy	www.canterbury.ac.nz

Reduce Accounts Payable Checklist

Key tasks	Tick if covered
Accounts payable	
Is accounts payable closed on the last working day or earlier?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are accruals closed off before accounts payable closure?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you introduced the purchase card?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you integrated systems with the major suppliers so they can send electronic invoices with your GL codes on it?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you have a web based expense claim system that can be completed by staff no matter where they are in the world?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Have you requested all major suppliers to send a pdf of the invoice to accounts payable@_____.? Thus reducing the need to scan these invoices.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have all cheque payments been eliminated? (mount the last one hung up on the CEO's office wall).	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are remittances loaded in a secure area of your website so that suppliers, by using their password, can download them?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you got an automated procurement system (electronic ordering) where your accounts payable transaction is only approved once?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you got budget holders approving exception invoices (where there is no order, no electronic receipting or invoice differs to order) within 24 hours?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you introduced consignment stock where the supplier is responsible for constant replenishment e.g. core stock items (they need on-line access to relevant stock records) and stationery?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you sourced national contracts for stationery, travel, and so forth?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you asked for consolidated invoices from suppliers especially power, telecommunications and stationery?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you changed invoicing cycles on all monthly accounts such as power, telecommunications, credit cards and so on (e.g., invoice cycle including transactions from 27 th May to 26 th June and being received by the 28 th of the June)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you instructed major suppliers to request an order from your budget holders?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you return all the supplier invoices without a purchase order asking them to attach the purchase order?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are all large-volume small-dollar transactions going through the purchase cards (e.g. say all under \$2,000)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you perform frequent DC payment runs?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you use self-generated invoices (buyer created invoices)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you sent a welcome letter to all new budget holders and given them training?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you introduced a list of all budget holders who have breached an important process. The list is sent to the CEO weekly, for a follow-up phone call.compliance?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you reward good budget holder behaviour?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you performed business re-engineering in accounts payable?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you considered using the supplier's taxation numbers for their account code?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Do you have an intranet site for the accounts payable manual, team photos and success stories?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you perform simulation exercises when recruiting accounts payable staff?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you maintain account management within accounts payable (e.g. Pat looks after suppliers 'A' through to 'G')?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Chapter 6

Month-End Reporting

Refinements Relevant Articles to Download

A Virtual Close: Easy as One, Two, Three? By Jennifer Caplan	ww2.cfo.com/accounting-tax/2001/03/a-virtual-close-easy-as-one-two-three/
Cisco's Virtual Close By Larry Carter	hbr.org/2001/04/ciscos-virtual-close/ar/1#
Switching to a 4-4-5 General Ledger Calendar By Andrew Vitullo, CPA	www.loganconsulting.com/Blog + Switching-to-a-4-4-5-General-Ledger-Calendar

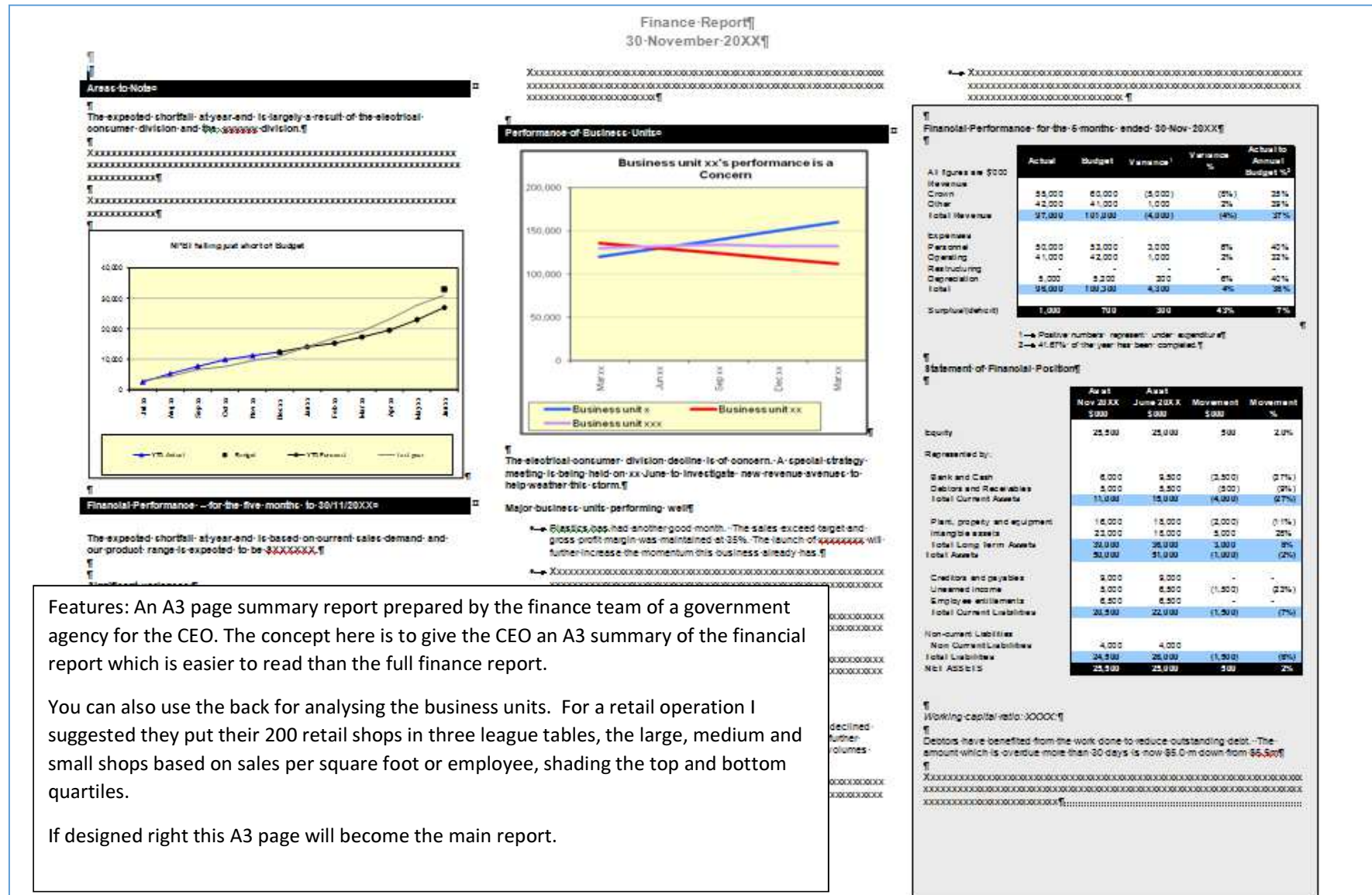
Chapter 7

Lean Reporting – Informatively and Error Free

CEO One-Page Fanfold Report & Board

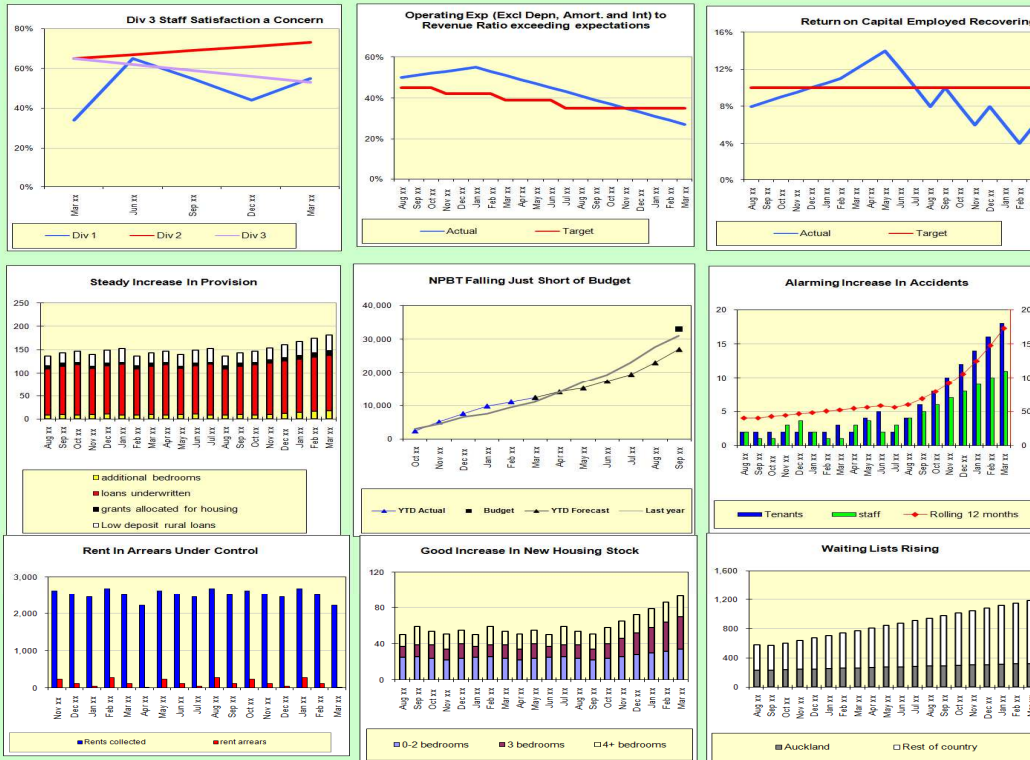
Dashboard One-Page Fanfold Report

An A3 One Page Report for the CEO



An A3 Page Dashboard for the Board

Dashboard for Board - March 20xx



Financial Performance for the X months ended XX XXX 20XX

	Actual	Budget	Variance ¹	Actual to Annual Budget %	
All figures are \$'000					
Revenue					
Crown	55,000	60,000	(5,000)	-8%	35%
Other	42,000	41,000	1,000	2%	39%
Total Revenue	97,000	101,000	(4,000)	-4%	37%
Expenses					
Personnel	50,000	53,000	3,000	6%	40%
Operating	41,000	42,000	1,000	2%	32%
Restructuring	-	-	-	0%	0%
Depreciation	5,000	5,300	300	6%	40%
Total	96,000	100,300	4,300	4%	36%
Surplus/(deficit)	1,000	700	300	43%	7%

1. Positive numbers represent under expenditure
2. xx.xx% of the year has been completed.

Statement of Financial Position

	As at XXX 20XX \$000	As at Last Year End 20XX \$000	Movement \$000	Movement %
Equity	25,500	25,000	500	2.0%
Represented by:				
Bank and Cash	6,000	9,500	(3,500)	(36.8%)
Debtors and Receivables	5,000	5,500	(500)	(9.1%)
Total Current Assets	11,000	15,000	(4,000)	(26.7%)
Fixed Assets	16,000	18,000	(2,000)	(11.1%)
Intangible assets	23,000	18,000	5,000	27.8%
Long Term Assets	39,000	36,000	3,000	8.3%
Total Assets	50,000	51,000	(1,000)	(2.0%)
Creditors and payables	9,000	9,000	-	-
Unearned income	5,000	6,500	(1,500)	(23.1%)
Employee entitlements	6,500	6,500	-	-
Total Current Liabilities	20,500	22,000	(1,500)	(6.8%)
Non-current Liabilities				
Non Current Liabilities	4,000	4,000		
Total Liabilities	24,500	26,000	(1,500)	(5.8%)
NET ASSETS	25,500	25,000	500	2.0%

1. Working capital ratio: XXXX:1

Areas to Note

[illegible]

Lean Reporting - Informatively and Error Free Checklist

Lean Reporting - Informatively and Error Free	
Does your reporting show a linkage between commentary, statements, notes and graphs?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is your monthly reporting comparing actuals versus most recent forecast for that month?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you introduced a report on the progress with implementing strategic initiatives?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you adopted the A3 page (US. standard fanfold) finance report for the CEO?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you adopted the A3 page (US. standard fanfold) investment proposal?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you adopted the A3 page (US. standard fanfold) finance report for the CEO?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you limit variance reporting to major category headings?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do all finance staff see the finished financial report?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you set up an icon system to highlight variances over a certain amount (whether they are within tolerance, positive or negative)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you stick to a page per topic (e.g. one page P/L, one page balance sheet, one page cash flow, one page CAPEX etc with the accompanying notes on that page)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you have a report that summaries status of projects?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are you applying Stephen Few's data visualisation rules (see perceptualedge.com)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are your reports "big picture" only? E.g. short and concise	<input type="checkbox"/> Yes <input type="checkbox"/> No
Can budget holders do their monthly report in less than half an hour?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you report on your KPIs daily/weekly?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you limited the daily, weekly, monthly routines which are in Excel?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Chapter 8

Lean Board Reporting

Board Dashboard Template

See above.

Lean Board Reporting Checklist

Key tasks	Tick if covered
Lean Board Reporting	
Have you worked out the cost of preparing the Board papers each time?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are all Board requested now scoped (e.g., “We want you to ____, and do not invest more than \$5,000 of time on it”)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Has the Board been approached to accept papers from the originator (e.g., CFO signs back page saying “I concur but not written by me”)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are you using an electronic Board paper application?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Has the Board been approached to have more timely meetings which are closer to month-end?.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Has a review of Board been performed with the Chairman to eradicate unnecessary papers?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you adopted the A3 page (US. standard fanfold) Board dashboard?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you limited Board meetings to four to six times a year (monthly board meetings frequently end up as management meetings)?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Chapter 9

A Lean Annual Planning Process – Ten Working Days or Less!

Costing of the Annual Planning Process

	General Managers	CEO	CFO	Accounting & Planning	Budget Holders
Staff involved	4 to 6	1	1	3 to 5	50 to 70
	Estimated total number of weeks worked				
Budget Process (incl rework)	4 to 6	3 to 4	3 to 4	10 to 25	100 to 140
Re-Budget Process (if done)	1 to 2	0.5 to 1	0.5 to 1	5 to 10	50 to 70
Reporting Against Budget	2 to 4	0.5 to 1	0.5 to 1	5 to 10	150 to 210
Re-Forecasting Y/E Result (>6 Times a Year)	1 to 2	0.5 to 1	0.5 to 1	3 to 5	100 to 140
No. of Weeks Worked	8 to 14	4.5 to 7	4.5 to 7	23 to 50	400 to 560
Average Salary Cost	\$250,000	\$400,000	\$250,000	\$120,000	\$100,000
Average productive weeks	32	32	32	42	42
Personnel costs only	\$50-90k	\$60-90k	\$30-40k	\$60-150k	\$1.0m-1.3m
Annual cost	\$1.2m to \$1.7m				
Over next ten years	\$12m to \$17m				

	Weeks	Salary	Working Weeks	Cost Per Week
General Managers				
Min No. of weeks worked	8	200000	32	\$ 50,000
Max No. of weeks worked	14	200000	32	\$ 87,500
CEO				
Min No. of weeks worked	4.5	400000	32	\$ 56,250
Max No. of weeks worked	7	400000	32	\$ 87,500
CFO				
Min No. of weeks worked	4.5	250000	42	\$ 26,786
Max No. of weeks worked	7	250000	42	\$ 41,667

Performing an Efficient Annual Planning Process Checklist

Many accountants find themselves having to maintain an annual planning process even though they would rather be doing quarterly rolling planning. This checklist is designed

to help make the antiquated process quicker and at the same time plant the seed for quarterly rolling planning. This checklist assumes you have a robust planning tool. Those working in EXCEL will need to add a “prayer section” to the checklist!!

Key tasks	Tick if covered
Run a workshop to analysis pitfalls and sell the concept of quarterly funding	
1. Notify those who should attend	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. CEO to send email stating permission is to be sought from CEO if not attending workshop	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. Organize outside facilitator and presenter to give the better practice stories	<input type="checkbox"/> Yes <input type="checkbox"/> No
4. Lock in decision that:	
▪ The annual plan is not to be broken down into twelve monthly targets	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ The annual plan does not appropriate funding to budget holders for twelve months, this is to be done on a quarter by quarter basis	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ There is to be a 10 working day time scale and there is a ban on travel or holidays during these two weeks	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ Each budget holder has one chance to discuss their annual plan with the Budget committee and the decision from the meeting is final	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ There is no need to have a budget for every account code in the G/L	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ Each budget holder is only required to forecast 12 category headings (each category is a group of account codes)	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ Each budget holder only required to forecast a category heading that represents over 15% of total revenue or total costs whichever is relevant	<input type="checkbox"/> Yes <input type="checkbox"/> No
Perform pre-work	
5. Automate as many expense categories you can e.g. where trend analysis is as good or better than a budget holder's estimate	<input type="checkbox"/> Yes <input type="checkbox"/> No
6. Establish standard costings for travel and accommodation so budget holders can quickly work out their travel costs	<input type="checkbox"/> Yes <input type="checkbox"/> No
7. Download all payroll details so budget holders can quickly and accurately calculate their salaries and wages	<input type="checkbox"/> Yes <input type="checkbox"/> No
8. Issue timetable on the intranet	<input type="checkbox"/> Yes <input type="checkbox"/> No
9. Obtain up to date demand forecasts from key customers where possible	<input type="checkbox"/> Yes <input type="checkbox"/> No
10. Set key assumptions and materiality levels	<input type="checkbox"/> Yes <input type="checkbox"/> No
11. Prepare presentation for budget holders (slides and handouts)	<input type="checkbox"/> Yes <input type="checkbox"/> No

12. Send invitation to attend annual planning presentation	<input type="checkbox"/> Yes <input type="checkbox"/> No
13. CEO to send email stating permission is to be sought from CEO if not attending presentation	<input type="checkbox"/> Yes <input type="checkbox"/> No
14. Deliver presentation #1 – explanation to all budget holders of how it is going to be done	<input type="checkbox"/> Yes <input type="checkbox"/> No
15. Organize additional support to help with one-to-one support (using local accounting firms - their staff would have to attend the presentation)	<input type="checkbox"/> Yes <input type="checkbox"/> No
16. Provide briefing to new support staff from the local accounting firms	<input type="checkbox"/> Yes <input type="checkbox"/> No
17. Establish schedule of who is to provide who with one-to-one support during the forecast.	<input type="checkbox"/> Yes <input type="checkbox"/> No
18. Update revenue and expenditure trend graphs, where necessary.	<input type="checkbox"/> Yes <input type="checkbox"/> No
19. Establish a Budget Committee (CEO, two GMs and CFO) and explain their responsibilities	<input type="checkbox"/> Yes <input type="checkbox"/> No
Support budget holders during budget preparation	
20. Provide one-to-one support	<input type="checkbox"/> Yes <input type="checkbox"/> No
21. Provide a daily progress report to CEO of budget holders who are running late - the “shame and name report”	<input type="checkbox"/> Yes <input type="checkbox"/> No
22. Provide incentives for prompt budget returns (e.g. cinema vouchers)	<input type="checkbox"/> Yes <input type="checkbox"/> No
23. Ensure budget holders have provided insightful commentary	<input type="checkbox"/> Yes <input type="checkbox"/> No
24. Provide budget holders with comparison graphs so they can see how reasonable their forecast looks against the past trends	<input type="checkbox"/> Yes <input type="checkbox"/> No
Complete QA procedures	
25. Ensure all returns are in	<input type="checkbox"/> Yes <input type="checkbox"/> No
26. Check all key ratios for reasonableness	<input type="checkbox"/> Yes <input type="checkbox"/> No
27. Review all revenue and expenditure graphs to ensure the trends look reasonable	<input type="checkbox"/> Yes <input type="checkbox"/> No
28. Ensure all key papers have been filed on the annual planning master file	<input type="checkbox"/> Yes <input type="checkbox"/> No
29. Rework budgets, with budget holders permission, to remove agreed errors -	<input type="checkbox"/> Yes <input type="checkbox"/> No
30. Check correct treatment of costs on major projects (particularly consulting fees)	<input type="checkbox"/> Yes <input type="checkbox"/> No
31. Look for missed major expenditure items	<input type="checkbox"/> Yes <input type="checkbox"/> No

Budget committee	
32. Advise budget holders of times for them to turn up and present their annual plan to the budget committee	<input type="checkbox"/> Yes <input type="checkbox"/> No
33. Budget Committee confirmed their attendance	<input type="checkbox"/> Yes <input type="checkbox"/> No
34. Budget Committee interviewed all relevant budget holders	<input type="checkbox"/> Yes <input type="checkbox"/> No
35. Adjust annual plans based on feedback from the Budget Committee	<input type="checkbox"/> Yes <input type="checkbox"/> No
36. Budget Committee confirm consolidated Annual plan	<input type="checkbox"/> Yes <input type="checkbox"/> No
Presentation of Annual Plan to budget holders	
37. Delivery of presentation of the final Annual plan numbers to budget holders	<input type="checkbox"/> Yes <input type="checkbox"/> No
Review process - lessons learnt	
38. Set up intranet based feedback survey on Annual plan process	<input type="checkbox"/> Yes <input type="checkbox"/> No
39. Plan next quarterly rolling planning forecast run	<input type="checkbox"/> Yes <input type="checkbox"/> No
40. Check for any timing differences when the last year-end numbers are finalized (budget holders have forecast prior to year-end so they did not know the final numbers)	<input type="checkbox"/> Yes <input type="checkbox"/> No

Planning Focus Group Agenda

Date and Time: _____

Location: _____

Suggested attendees: Budget committee, selection of business unit heads, all management accountants, and a selection of budget holders involved in forecasting.

Learning Outcomes:

Attendees after this workshop will be able to:

- Discuss and explain to management why _____ should adopt QRP
- Use better practices to streamline current forecasting bottlenecks
- Describe better practice forecasting and planning routines

- Recall all agreements made at the workshop

Pre work: Teams to document forecasting procedures on Post-it Notes. One procedure per Post-it. Each team to have a different colour Post-it Notes.

Requirements: event secretary, lap tops x2, data show, whiteboards x2

8.30 A.M.	Welcome by CFO, a summary of progress to date at _____, an outline of the issues and establishing the outcome for the workshop.
8.40 A.M.	<p>Setting the scene - why clever organizations are not involved in the annual planning cycle—a review of better practices among public and private sector organizations. Topics covered include:</p> <ul style="list-style-type: none"> • Why annual planning is flawed and the rise of the Beyond Budgeting movement • Why quarterly rolling planning can and should work at _____ • Benefits of QRP to the Board, SMT, finance team, and budget holders • Better practice stories • Current performance gap between _____ and better practice • Foundation stones of quarterly rolling forecasting and planning • Some of the foundation stones that are already in place at _____ • Some better practice features within _____’s forecasting process • How the annual plan drops out of the bottom-up quarterly rolling forecasting regime • Impact of assigning funds on a quarter-by-quarter basis • Impact on monthly reporting • How each subsequent forecast works • Involvement of SMT in a forecasting process <p>This session would be attended by a wider audience. After the questions and answers, these people would leave.</p>
9.40 A.M.	<p>Workshop 1: Analyzing the Current Pitfalls of _____’s</p> <p>Forecasting. Separate teams look at the key pitfalls and how they can be overcome.</p>
10.15 A.M.	Morning break.
10.30 A.M.	<p>Workshop 2: Mechanics of Rolling Forecasting. Workshop where separate teams look at the key components:</p> <ul style="list-style-type: none"> • Who should be involved in a bottom-up forecasting process • Potential pitfalls • Reporting needs • When can it be implemented • Training requirements

	<ul style="list-style-type: none"> • What cost categories should be forecast (higher than the general ledger account code level) • Project structure
11.00 A.M.	Workshop 3: Workshop on “Post-it” Re-engineering of the Annual Planning Process. During the workshop we analyze the bottlenecks of the forecasting process. In this workshop we use Post-it Notes to schedule the steps (e.g., yellow-budget holder activities, red-forecasting team activities, blue-SMT activities during the forecast).
12.15 P.M.	Lunch at venue.
12.45 P.M.	<p>Feedback from work groups on both workshops and action plan agreed (document deadline date and who is responsible).</p> <p>Individuals will be encouraged to take responsibility for implementing the steps.</p>
1.15 P.M.	<p>Workgroups are assigned to prepare a slide or two on a specified issue. They can also raise any issues they still have.</p> <p>The two individuals selected to summarise findings are allowed to roam around the group discussions.</p>
1.45 P.M.	Each work group presents their slide(s) and discussion held as what to accept or delete.
2.30 P.M.	<p>A selected team of two people are asked to present the initial thoughts of the whole focus group (up to ten slides) to an invited audience covering the changes the focus group would like to implement and when.</p> <p>Suggested audience: all those who attended the setting the scene at the morning session</p>
3.00 P.M.	Wrap up of workshop

Annual Planning Briefing Workshop Agenda

Location: _____

Date and Time: _____

Suggested attendees: All budget committee, all business unit heads, all management accountants, and all budget holders

Requirements: event secretary, desk top for every seven attendees, data show, two white boards

8.30am	Welcome by CEO and why this is a non-negotiable.
8.40	Setting the scene- topics covered include: <ul style="list-style-type: none"> • why we cannot afford the current annual planning process • better practice stories and research we have done • some of the major flaws with the annual planning process • the new rules which have been vetted by the focus group • proposed 2 week process • the setting on monthly targets quarterly <p>The senior management team may wish to leave after this session.</p>
9.30	Present the new budget package. Those who are attending via webcast leave the presentation here.
10.00	Workshop 1: Looking at the package. In small groups, no more than seven, each attendee gets a chance to play with the package. Each group has a member from finance facilitating this process.
10.30	Morning break.
10.50	Feedback on the package from the workgroups
11.20	Wrap up of workshop by CFO reminding about deadlines, help available and to keep to the bigger picture.

Chapter 10

Lean and Smarter Work Methods

Book Reviews to Download

Elizabeth Haas Edersheim's "The Definitive Drucker"	http://www.assess.co.nz/pages/Drucker.pdf
Jack Welch with Suzy Welch, "Winning"	http://character-education.info/money/books/Jack_Welch_Winning.htm
Jeffery Liker, "The Toyota Way"	myinfo.sysco.com + ExecSummary-The_Toyota_Way_FIN2.pdf

Re-Engineering Instructions for Annual Planning

Hold a Focus Group Workshop to get the go ahead

A focus group needs to be formed. The workshop is important for a number of reasons:

- moving from four months to two weeks will have many doubters, we need to ensure all likely objections are covered in the Annual Planning workshop
- a “green light” from the focus team will help sell this concept to the SMT
- the focus group will give valuable input in how the implementation should best be done to maximize its impact

The proposed agenda for the focus group is set out in Exhibit 1. The suggested attendees would include: Budget committee, selection of business unit heads, all management accountants, and a selection of budget holders. You will need an event secretary to document agreements, two laptops, a data show projector and two white boards.

EXHIBIT 1 Focus group workshop agenda

Location: _____

Date and Time: _____

Pre work: Attendees to document forecasting procedures on post-it stickers. One procedure per post-it. Each team to have a different color Post-it.

8.30 A.M.	Welcome by CFO, a summary of progress to date at _____, an outline of the issues and establishing the outcome for the workshop.
8.40	Setting The Scene- topics covered include: <ul style="list-style-type: none">• The default future,, the cost and the major flaws• The alternative – the proposed foundation stones, how a two process can work• The proposed new rules

9.40	Workshop 1: Analyzing the New Rules. Separate teams look at the proposed new rules, and comment on changes required.
10.15	Morning break.
10.30	Workshop 2: Workshop on “Post-it” Reengineering of the Annual Planning Process. During the workshop we analyze the bottlenecks of the forecasting process. In this workshop we use “post-its” to schedule the steps (e.g., yellow-budget holder activities, red-forecasting team activities, blue-Budget Committee activities).
12.00 P.M.	Feedback from work groups on both workshops and action plan agreed (document deadline date and who is responsible). Individuals will be encouraged to take responsibility for implementing the steps.
12.30	Lunch at venue.
1.30	Deliver the proposed “selling “presentation.
2.00	Workshop 3: Feedback on the presentation. Separate work groups look at different parts of the presentation.
3.00	The team presents reports to an invited audience on what changes they would like to implement and when. They can also raise any issues they still have. Suggested audience all those who attended the setting the scene morning session.
4.00	Wrap up of workshop.

Re-engineering can be a complex and expensive task or a relatively easy one, the choice is yours. Many organizations start off by bringing in consultants to process map the existing procedures. This is a futile exercise as why spend a lot of money documenting a process you are about to radically alter? When it is done only the consultants will understand the resulting data-flow diagrams!

Set out in Exhibits 2 and 3 are the instructions to run a post-it re-engineering workshop.

Exhibit 2: Post-it re-engineering instructions to be sent out to attendees a week prior to the workshop

You have been asked to attend a workshop on re-engineering the forecasting and annual planning processes. In order to do this we need you to prepare a list of all the processes you undertake as a team.

This process is quite simple, all it requires is:

- Each team to list all their processes on to the “Post-it” stickers allocated to them prior to the workshop and document each process with a whiteboard marker pen as set out in the example below. It is important that these stickers can be read from four to five metre distance..

	<p>Weeks 4 to 5</p> <p>Finalise Sales Forecast</p>	
<ul style="list-style-type: none"> ▪ One procedure/process per Post-it (please note, every Excel is a process) ▪ State when it is done—time scale is week 1 commence planning, week 13 or so finalise plan. 		

Some tips on running a ‘post-it’ re-engineering session

Set up a schedule to ensure all the main teams have a unique color of post-it e.g.

Budget holders	Yellow
Payroll	Green
Budgeting & Forecasting team in Finance	Red
Sales Forecast	Purple
Budget Committee	Blue
G/L & Reporting team in Finance	Light yellow
CAPEX	Pink
Production team	etc
Board	etc

In the workshop each team will place the “Post-its” in time order under column headings week 1, week 2, and so forth using a white board.

When all the post-its are on the board, see Exhibit 3, ask three questions: What is still missing from the list? What processes has been duplicated? Finally, what processes do we not need to do anymore?

Exhibit 3: Post-it re-engineering on a white board (this is an example of re-engineering a month-end reporting process)



Buy a dozen movie vouchers and give one to each attendee who points out a process that can be removed as it is not necessary (the process was done because it was done last time)—each procedure that is removed is like finding gold because it means less work, fewer steps.

Reorganize the key processes and bottlenecks based on better practice (e.g., the foundation stones and features of QRF) and now reschedule tasks that can be done earlier. You will find it hard to justify an annual planning process longer than two weeks.

View my video on ‘post-it re-engineering’, on www.davidparmenter.com.

Re-Engineering Instructions for Year-End

Reengineering can be a complex and expensive task or a relatively easy one, the choice is yours. Many organizations start off by bringing in consultants to process map the existing procedures. This is a futile exercise as why spend a lot of money documenting a process you are about to radically alter and when it is done, only the consultants will understand the resulting data-flow diagrams!

The answer is to “Post-it” re-engineer your year-end procedures in a workshop; see Exhibit 3 for an outline of the workshop.

Exhibit 3 Outline of Workshop on Implementing Quick Annual Reporting Within Existing System Constraints

Agenda And Outline Of The Quick Year-End Workshop

Date & Time: _____

Location: _____

Suggested attendees: All those involved in year-end including accounts payable, financial and management accountants, a representative from the auditors (the audit manager), representatives from teams who interface with year-end routines, e.g. someone from IT, payroll and the Chairman's office etc)

Learning Outcomes:

Attendees after this workshop will be able to:

- discuss and explain to management why their organization should have quicker year-end reporting
- use better practices to streamline their current bottlenecks
- use a step by step implementation framework
- describe better practice year-end routines
- recall all agreements made at the workshop (these will be documented)

9.00 A.M.	Welcome by Financial Controller
9.10	<p>Setting the scene - a review of better practices among accounting teams, that are delivering swift annual reporting, topics covered include: .</p> <ul style="list-style-type: none">• what is quick year-end reporting?• benefits of quick annual reporting to management and the finance team• better practice year-end procedures - stories• the current performance gap between _____ and better practice• precision Vs timeliness <p>Senior management, PR expert involved in annual report, representative from the legal team and a selection of budget holders (who are locally based), will be invited to attend this session “setting the scene”</p>
9.50	<p>Agreement on the current key bottlenecks of year-end reporting presented by Financial Controller</p> <ul style="list-style-type: none">• the current cost estimate of year-end reporting• the human cost of the annual accounts process (weekends and late nights worked)

	<ul style="list-style-type: none"> • what we are doing well • we need to work within existing systems • goal is “signed annual accounts by 15 working days”
10.05	Workshop 1 to analyze the year-end procedures using post-its (yellow - accounts payable, green – accounts receivable, red - production, purple – annual report, blue – finance accounting team, CAPEX - pink , management accounting team – light yellow etc)
10.30	Morning break
10.45	Workshop 1 continues
11.20	Feedback and pulling it together, participants will document agreed changes and individuals will be encouraged to take responsibility for implementing the steps
12.00 P.M.	Workshop 2 to set out the appropriate implementation steps to implement quick annual reporting. Each team prepares a short presentation of the key steps they are committed to making (teams will use PowerPoint on laptops)
12.30	Lunch
1.15	Workshop 2 continues
2.00	<p>Each team presents reports to the group regarding what changes they are going to implement and when. They can also raise any issues they still have.</p> <p>Those senior management team and budget holders who attended the first session will be invited to attend this session</p>
2.30	Wrap up of workshop by Financial Controller
2.45	Finish

Tips on running a ‘post-it’ re-engineering

session (using the year end processes)

Stage 1 Invitation

Having set the date, get the CEO on board and ask the CEO to send out the invites. The finance team needs to send out instructions, a week or so prior to the workshop, outlining how each team is to prepare their post-it stickers, see Exhibit 4.

Exhibit 4: Post-it re-engineering instructions to be sent out to attendees a week prior to the workshop

You have been asked to attend a workshop on re-engineering year-end processes. In order to do this we need you to prepare a list of all the processes you undertake, as a team, at year-end.

This process is quite simple, all it requires is:

- Each team to list all their processes on to the “Post-it” stickers allocated to them prior to the workshop and document each process with a whiteboard marker pen as set out in the example below. It is important that these stickers can be read from a distance of four to five metres.

“Post-It” Stickers

-1

Close-off A/P (last working day)

- One procedure/process per Post-it (please note, every Excel is a process)
- State when it is done—time scale is -2, -1 (last week before year-end), +1 (first week after year-end), +2, etc.

Set up a schedule to ensure all the main teams have a unique color of post-it sticker, see Exhibit 5.

Exhibit 5: Allocation of post-it stickers so every team has a unique color

Accounts Payable	Yellow
Accounts Receivable	Green
Production	Red
Annual report	Purple

Financial Accounting team	Blue
Management Accounting Team	Light yellow
CAPEX	Pink
External Audit team	etc
Internal Audit team	etc
Public relations	etc
Board	etc

Stage 2 Standing up around the whiteboard

With everyone assembled go through the agenda items starting off with an introduction to best practice. When you get to the stage in the agenda for the Post-it re-engineering you ask a representative of each team to place the “Post-its” in time order under column headings week -2, week -1, week +1, week +2, and so forth using a white board. When all the post-its are on the board it will look like Exhibit 6.

Then remove all desks, near the whiteboard, and ask all the staff present to come to the whiteboard, standing in semi circles, hopefully with the “height challenged” staff at the front. The standing-up is critical as it brings everybody in sight of the stickers and, more importantly, as the meeting progresses ensures swifter and swifter agreement as nobody will enjoy standing for over two hours.

Stage 3 Missing processes

Then you ask “What is still missing from the list?” There will always be a forgotten process. I probe until at least two additional processes are put on the board and I ask each person in turn to acknowledge that they are in agreement that the whiteboard represents all the processes.

Stage 4 Removal of duplication

I then ask “What processes have two stickers when there should only be one?” (we want to remove any duplication). These stickers are removed, see Exhibit 7.

Exhibit 6: Post-it re-engineering on a white board

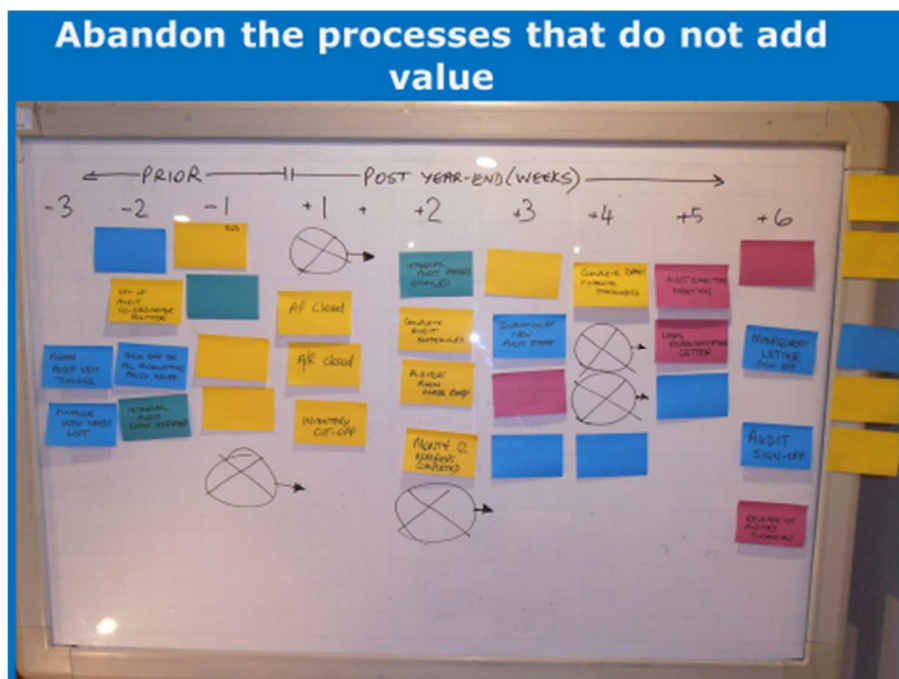
How "Post-It" re-engineer year-end



Stage 5 Abandonment

We then ask "What processes do we not need to do anymore and therefore should abandon?" There is often a pause here as staff look bewildered. Why would we do something that was not required they all are thinking. At this stage I talk about Peter Drucker, the great management thinker's abandonment philosophy discussed in section one of this paper.

Exhibit 7: Abandoning processes by removing the "post-it" stickers



I recommend that you buy a dozen movie vouchers before the workshop so you can give one to every attendee who points out a process that can be removed as it is not necessary (the process was done because it was done last month)—each procedure that is removed is like finding gold because it means less work, fewer steps. After the first movie ticket handout you will notice a greater focus from the attendees!

I will spend up to two hours to ensure all the superfluous processes are removed, see Exhibit 7.

Stage 6 Rescheduling the activities back

The next stage is to reorganize the key processes and bottlenecks based on better practice. I begin by pulling off the AP close-off sticker and ask “When can we finish this exercise if we were to adopt best practice?”. The answer I am looking for is “Noon on the last working day” which has been discussed in an earlier section.

With each rescheduling of a process it is important to seek consensus. Invariably some members of the team will believe the world will end if the cut-off is moved earlier. I simply question the logic and allow a dissenting group to have their objections noted. “If you are proved correct, next month, we owe you a morning tea. If, however you are proved wrong you owe all of us a morning tea”. With that statement I move the sticker to where the majority have agreed, see Exhibit 8.

After 45 minutes of standing these disagreements will recede due to peer pressure.

Exhibit 8: Moving the bottlenecks to the earliest time they can be completed



Stage 7 Spreading the load in the key period

Look at week-1, week+1 steps as you may have too many. Move the non-time critical ones between week-2 and week +2 to better spread the workload.

Document the “post-it” stickers on a spreadsheet. This is the only record you need. Any person, who for health reasons, cannot stand, can be assigned this documentation process.

You will find it hard to justify any year-end task, including the audit sign-off needing to be done after week 3!

You can review a YouTube video of me demonstrating a ‘post-it re-engineering exercise on www.davidparmenter.com.

Working Smarter Checklists

Key task	Tick if covered
Working smarter	
Do you hold a daily team debrief at the end of the day?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you limit the number of meetings you have in the mornings (your prime service delivery time)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are you using “Action Meeting” methods?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you stopped opening your emails first thing in the morning?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you talk about innovation each day?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you have a team mission statement (e.g., “To be awesome at what we do)?”	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are your team training sessions systematic and organized?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you resolve conflict between team members effectively and efficiently?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you invested enough in the induction process for new staff joining the finance team?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you created a service ethic in the accounting team culture?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you have fun activities in the workplace?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Maximizing the use of the GL	
▪ Have you added applications like Crystal reporting, PowerPlay, or a planning tool to give BHs better read only access to their information during the month?	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ Are you constantly training your budget holders on how to use the G/L?	<input type="checkbox"/> Yes <input type="checkbox"/> No

<ul style="list-style-type: none"> Have you delegated the responsibility of maintaining their part of the G/L to budget holders? 	<input type="checkbox"/> Yes <input type="checkbox"/> No
<ul style="list-style-type: none"> Have you brought back the GL consultants for, say, half a day to see where you can better use your GL's inbuilt features? 	<input type="checkbox"/> Yes <input type="checkbox"/> No
Marketing the accounting team	
Do you have an accounting function Intranet page?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is the accounting function Intranet page updated at least every two weeks?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do Management Accountants, accounts payable, property, office services, CFO and so forth go on walkabout to internal stakeholders?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you attend corporate function launches etc?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you contribute to your organization's newsletter/intranet?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are you adding value to the SMT (surprising them, giving them success stories)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you hold "Cuppa for a cause" events (e.g., finance team holding a morning tea at their workspace with guests giving a gold coin donation to a specified charity)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Client management	
Have you carried out an in-house customer satisfaction survey on the finance team?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Lean and Smarter Work Methods	
Do you hold half yearly team away days (e.g., covering training, accounting and interpersonal skills, revisiting corporate objectives and setting goals)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do the direct reports have a one-to-one meeting with you at the same time each month (e.g., Pat 2pm first Tuesday)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you adopted the better practice recruiting techniques?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are you recognizing staff performance enough?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you have a finance team balanced scorecard?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Does your team meet 'out of office' at social events?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you spend less than 20% of the working week in meetings?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you hold in-house tailored courses for the finance team (a good benchmark is 3 days per year)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do all your direct reports have a mentor?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you have a mentor?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you had any leadership training?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you included trend information (rolling 12-or 24- month graphs) and KPIs in the reporting on Business units?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Have you provided training sessions for staff (e.g., accruals, G/L)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you introduce a new cost saving initiative each month?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you help business unit managers with their new re-forecast?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you help business unit managers with their projects?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Chapter 11

Effective Leadership, Growing and Retaining Talent

Some Leadership Articles to Download

Jan Gunnarsson and Olle Blohm, "The Art of Making People Feel Welcome," Dialogos, 2008
Margot Morrell and Stephanie Capparell, "Shackleton's Way: Leadership Lessons from the Great Antarctic Explorer", Nicholas Brealey Publishing, 2003
Jack Welch with Suzy Welch, "Winning" HarperBusiness April 2005
Jim Collins, Good to Great: Why Some Companies Make the Leap...and Others Don't, William Collins 2001

Other Leadership Traits from The Leading-Edge Manager's Guide to

Success

Due to its size this is available in a separate document. I have also updated the work since The Financial Controllers and CFO's Toolkit was published so I have included this copy.

An Agenda of a Team Offsite Meeting

Meeting Agenda Location: _____ Date: _____ Attendees: all the accounting team with special guests _____ Requirements: session secretary (Pat Carruthers), lap tops x2, data show, white boards x2	
8.30am	Welcome by CFO, a summary of progress to date, an outline of the issues, feedback from in-house customer survey and establishing the outcome for the workshop.
8.40	Setting the scene – A talk by a member of the senior management team (SMT). Topics covered include: <ul style="list-style-type: none">• importance of the finance team• future direction of _____• areas where the SMT are keen to see improvements• where the accounting team can score more goals for the SMT
9.00	Presentation by external party on a new methodology or tool. Topics covered could include: <ul style="list-style-type: none">• improving the use of the G/L (revisiting the time saving features)• demonstration of a planning tool• accounts payable better practices• team building exercises (Hermann's thinking preferences, Myers Briggs team wheel etc)

[illegible]

[illegible]

Have you taken measures to reduce risk of injury in your team by observing and thinking about safer alternatives?													
Have you “energized” any of the team this week?													
Have you coached any young leaders this week? (target two a month)													
Have you planned any staff rotations / cross training? (if nothing has happened in the last three months you should be concerned)													
Have you looked at one team member this week to see how you can suit tasks to his or her capabilities and personality?													
Have you demonstrated that you put staffs’ welfare ahead of results?													
Have you created a learning opportunity for yourself this week? (be concerned if you have not for over four weeks)													
Have you introduced the book <i>Shackleton’s Way</i> to your direct reports? (quarterly reminder)													

Summary of the Lessons from the Paradigm Shifters

Extract from my leadership paper.

Peter Drucker’s Leadership Lessons

The more I read Peter Drucker work the more I realise that his wisdom will transcend time. We will be examining his work for years to come, the way we look at Shakespeare’s work and say, shaking our heads, ‘How did he do it?’

For management to undertake their role without an in-depth understanding of Peter Drucker is like deciding to sail around the world with your family without having completed a harbour masters’ course. Yes you can do it, yes you may arrive safely but, you have put everybody at risk.

Peter Drucker’s wisdom

Difference between management and leadership

Management is ensuring that staff are doing things right and leadership is ensuring that staff are doing the right thing. He talked about the need for more orchestration based leadership.

Recruitment is a life and death decision

Drucker is emphasizing the importance of getting the right people on the bus and that it deserves time and effort. Recruiting should be treated as the most important activity a manager does.

Do not give new staff new assignments. He referred to these jobs as widow makers. Jobs where the incumbent did not have a chance to succeed.

The scarce resource in an organization is performing people. Drucker highlighted that these scarce resources need to be specifically monitored and not taken for granted. Their goals should be hard enough to stretch them and keep them interested.

Outstanding performance is inconsistent with a fear of failure**What everybody knows is frequently wrong****Make obsolete your past success**

Drucker is saying that we need to always look forward and recognize that the cash cows of today will be overtaken by technology.

Abandonment

Drucker said

“The first step in a growth policy is not to decide where and how to grow. It is to decide what to abandon. In order to grow, a business must have a systematic policy to get rid of the outgrown, the obsolete, the unproductive.”

“Don’t tell me what you’re doing, tell me what you’ve stopped doing.”

Measuring the extent of innovation and abandonment will help focus management’s attention on these two important areas. Abandonment is a sign that management are recognizing that some initiatives will never work as intended and it is better to face this reality sooner than later.

Have an outside-in focus to your business

See the operation from your customers’ perspective. Especially your important customers’ perspectives.

Collaboration with other organizations even your competitors

Jack Welch turned General Electric into a power house by striving to focus on what GE was good at. This led Jack Welch to follow Drucker’s advice that “Your backroom is someone’s front room”. In other words, if others can do a job better then you can subcontract to them rather than diverting energy to be good at

everything, a task that is impossible to achieve. We thus need to measure the extent to which we are utilizing this opportunity.

What information do I need to do my job? from whom? when? and how?

By asking these basic questions we can streamline much of the reporting formats; dispensing with those reports that add no value.

Importance of self renewal

Drucker was always preaching executives to constantly grow their knowledge and experiences. He was a supporter of having a second passion, outside work, as he recognized the self-renewal benefits of such work-life balance.

Have three test sites

Drucker pointed out that to do one test site was never enough.

Do what you are good at (look to your strengths)

Peters and Waterman said “stick to your knitting”, Jim Collins said “focus on your flywheel”.

Execution first and always

Drucker, like all the other writers, did not follow the model of planning in such detail that execution of steps was seen as a secondary event.

Place people according to their strengths

Drucker was adamant that you focus on what people can do rather than focus on what they cannot do well.

Generate three protégés for senior positions

Drucker was adamant that the CEO and the senior management team should be home grown.

Jim Collin’s Leadership Lessons

Best books to read:

Jim Collins and Jerry Porras “*Built to Last: Successful Habits of Visionary Companies*”, HarperBusiness 1994

Jim Collins, “*Good to Great: Why Some Companies Make the Leap and Others Don’t*”, HarperBusiness, 2001

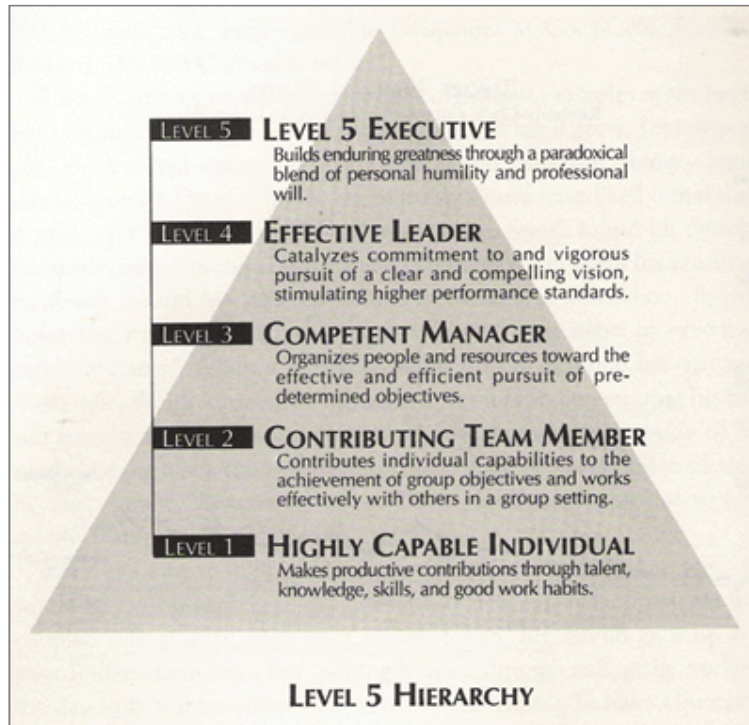
Jim Collins “*How The Mighty Fall: And Why Some Companies Never Give In*”. Jim Collins 2009

I am a fan of Jim Collin’s thinking. His analysis, understanding and communication are outstanding. His books are a must have on the thoughtful businessman’s book shelf.

Jim Collin’s wisdom

Jim Collin's five levels of leadership are shown in Exhibit 1. The second chapter of his book "Good to Great" should be read after this paper. You will see the consistency between the facets of level five leadership and "winning leadership."

Exhibit 1: Jim Collins five levels of Leadership



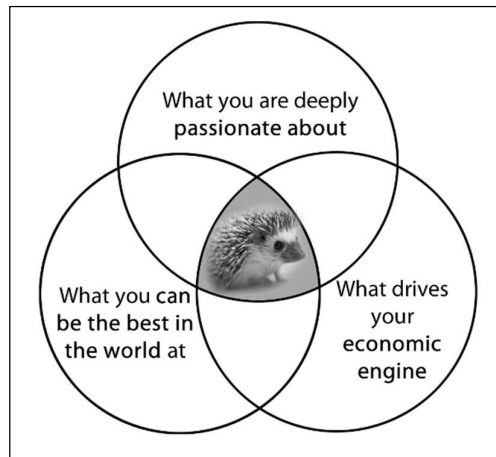
Getting the right people on the bus

An organization needs to place more emphasis on recruiting. Managers who have a record of failure should be retrained or relieved of recruiting duties.

Find your hedgehog

Jim Collins tells the parable of the fox and the hedgehog and how everyday the hedgehog is saved by simply rolling up into an impenetrable ball of spines. He points out that organizations need to find their own hedgehog, a place where the three circles collide. See Exhibit 2 below.

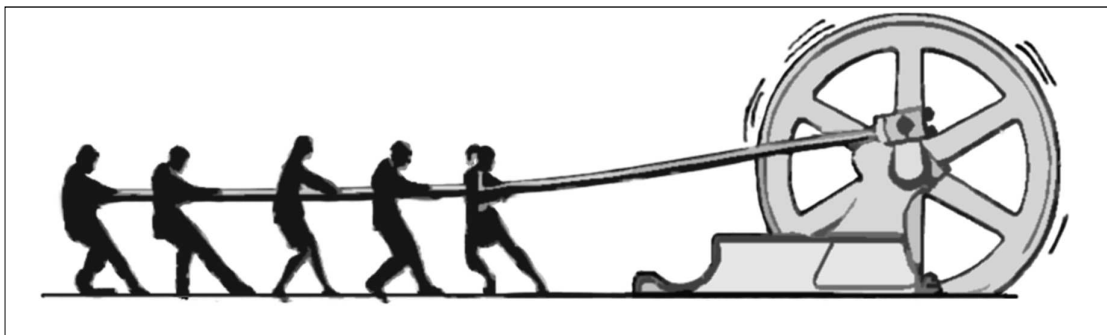
Exhibit 2: Jim Collins hedgehog concept



Staying focused on the flywheel.

Collins points out the importance to stay focused on your core activities and with constant attention and effort the large flywheel will gather momentum and start spinning freely without much effort, see Exhibit 3. Read Chapter 8 of his book "*Good to Great*".

Exhibit 3: Jim Collin's flywheel



Big hairy audacious goals (BHAGs)

Jim Collins and Jack Welch are at one here. They say incremental improvement will never stretch your thinking. With BHAGs we are asking what would we need to do at achieve this BHAG. It is not saying if we do not we will be unsuccessful, or that your bonus will not be paid.

The silent creep of impending doom

Collins warns us about the first stage of decline "Hubris born of success". Excessive pride leading the management team down the slippery slope.

An organization always needs to focus on its economic engine, make sure its flywheel is turning and maintain a profound understanding of the fundamental reasons for success.

Undisciplined pursuit of more

Collins also warns us about the undisciplined pursuit of more. Whilst this is primarily a private sector issue, the public sector and not for profit agencies can easily succumb to catastrophic management practices. Probably the worst is an addiction to reorganizations. A process that gets nowhere quickly while ensuring the talent is frustrated, disenfranchised and therefore moves on.

Denial of risk and peril

Collins specifies that when making decisions you need to know will they affect you above or below the waterline if they go wrong. The 'below the waterline' will obviously sink the organization. Government and not for profit agencies are protected by their surety of annual income from the public purse and hence are so easily blind to these risks.

Grasping for salvation

Collins points out the propensity to bring in an outside CEO to be the saviour. These initiatives fail more than they succeed. As Welch observes to bring in a CEO from outside is a sure sign that your organization failed to nurture protégés. In the public sector it is even worse where excellent protégés are deliberately overlooked to bring in a person from outside.

It is thus important for the public sector to revisit their values and to include a statement which indicates they should develop their own leaders.

In the private sector this stage of decline is categorized, as Collins points out, by the silver bullet. A massive merger that will turn the organization around. Naturally enough less than one in six of these mergers ever break even.

Jack Welch's Leadership Lessons

Straight talking Jack Welch and his book "Winning" co-written with Suzy Welch, is a must read. Jack Welch was profoundly influenced by Peter Drucker, therefore you are getting another slice of Peter Drucker's wisdom. Welch has not held back any punches which is indicative of the Welch style of communication.

Jack Welch's wisdom

Candour

Welch has reinvigorated this word and placed it in front of management. He said "It is a leader's obligation to tell their staff how they are doing and how they can improve performance in a candid way". As Welch points out candor allows more

people to participate in the conversation, generates speed, cuts costs and encourages underperformers to reflect on their achievements and move forward or move on.

Jack Welch's 20/70/10 "differentiation" rule.

Tied to candor is Welch's 20/70/10 "differentiation" rule. The top 20% of performers should be promoted into jobs which are a good fit for their strengths, assist the next 70% to better meet their potential, and make it clear to the bottom 10% that their future lies elsewhere. Good communication will see these staff moving on to better pastures for themselves, failing that these staff must be fired.

As Welch would say "We made a mistake employing you, and you made a mistake accepting our job offer. Let's work together to find you a job where your passions lie, where you will go to work with a spring in your step. In the meantime, we expect you to put your best foot forward so we can be open and honest to your potential employer without compromising your chances."

A cluster of mentors.

As Welch says "There is no right mentor for you there are many right mentors". He sees mentoring more holistically. A mentor can come from a staff person many levels below who passes on their knowledge. Welch, in his book "Winning" was forever grateful for the young HR advisor who patiently helped him master email.

Read, read, read

Great leaders have a thirst for knowledge and are constantly looking at ways to move their learning on; they are constantly reinventing themselves. Welch was an avid reader of the financial and management press and journals. He makes it very clear that it is a leader's role to be up to date. While truly great leaders are probably born, not made, many good qualities can be embedded in one's makeup.

Raise the profile of HR in your organization

Great leaders like Jack Welch have always recognized that the HR team are vital to the organization. The head of HR was a member of the senior management team and was involved in all recruiting, promoting, training and disciplining processes. Leaving HR to a young graduate to write meaningless policy inserts for a 'never read' manual is a sure fire way to run down an organization.

Make innovation work

Welch was a champion of innovation. He wanted innovation to be part of the culture. Workshops were held called "work-out process" where groups discussed better practices. At least 75% of all recommendations from the brainstorming sessions had to be given a "Yes or No" by the manager at the close of the workshop and the remaining recommendations had a maximum 30 day gestation period before a decision had to be made. This technique forced the decision makers to apply innovation practices which allowed for some failure but ensured much success at the same time.

Recognition and celebration

Welch says great leaders celebrate more. As he points out “Work is too much a part of life not to recognise moments of achievement”. You can sense from listening to him that his celebrations would have been fun to attend.

Welch was all about making business fun, as he realized that it is not life or death but a game you want to win.

Crisis management.

All exceptional leaders are great in a crisis and Welch is no exception. He had a large realism streak in his body. He would take the necessary action, face the music and move on. Welch handled each crisis on the following assumptions:

The crisis will be worse than it first appears.

The bad news will come out sometime so may as well face the music now.

The situation will be portrayed in the worst possible light by ‘the press’.

There will be carnage

His organization (GE) would survive.

Setting goals that stretch (Big hairy audacious goals as Jim Collins would say)

Welch liked to see goals that were a mix of between possible and the impossible. He went on to say “Effective leaders are not afraid to envision big results”. By raising the bar so high staff and management were forced to totally rethink the route plan. New ways had to be found to succeed and so often this was achieved.

Drucker was adamant that goals should stretch the team. They should be possible but were quite challenging. He was, however, equally adamant that they should not be used to beat up staff who were not achieving them. Drucker pointed out that it is only worth focusing on people’s strengths.

Be number one or two in the game

Welch was aware that many of GE investments did not make sense. The answer would have been “No” to the Drucker question, “If you were not in the business would you enter it now?” Consequently, Welch was known as ruthless with his view of either ‘Fix it, sell it or close it’ when a business did not meet the strict criteria of being either number one or two in that particular sector.

Thomas Peters and Robert Waterman’s Leadership Lessons

Best book to read Thomas J. Peters and Robert H. Waterman, In Search of Excellence: Lessons from America’s Best Run Companies, Harper and Row, 1982.

Every now and again there arises a masterpiece in thought, word and deed. “In search of Excellence” is one such masterpiece which is a must read because it is so timeless and encompassing.

Peters and Waterman's wisdom
<p>Understand human motivations</p> <p>This book has as its foundation an emphasis on understanding human nature. Peters and Waterman go into much detail about behaviorist studies in Chapter 3.</p>
<p>Importance of chaos rather than unnecessary order</p> <p>Throughout the first three chapters of "In pursuit of Excellence" the importance of allowing overlap, internal competition, impromptu contact, while minimizing head office "command and control" was highlighted through the case studies quoted.</p>
<p>A bias for action</p> <p>The emphasis on action, getting something into prototype, test, test, test rather than trying to second guess. The disbanding of committees that meet and do not convert anything to action is a very strong message.</p>
<p>Close to the customer</p> <p>Being close to the customer does not only help with customer retention, it is the major source of innovation. Peters and Waterman found compelling evidence that customers are the main source of innovative ideas.</p>
<p>Autonomy and entrepreneurship</p> <p>As Peters and Waterman observed that radical decentralization and autonomy, with its attendant overlap, messiness, lack of coordination, internal competition were necessary in order to breed the entrepreneurial spirit and champions required to take risks in developing new ideas.</p> <ul style="list-style-type: none"> ▪ Intense communication ▪ Tolerating failure ▪ Internal competition ▪ Promote legends ▪ Absence of over planning and paperwork
<p>Productivity through people</p> <ul style="list-style-type: none"> ▪ Unabashed hoopla ▪ Internal competition ▪ Family atmosphere ▪ Available information ▪ Trust ▪ Keeping units small and fast and flexible
<p>Stick to the knitting</p> <p>As an organization we need to focus our measurement in the important areas.</p> <p>Robert Johnson of Johnson & Johnson said "Never acquire a business you do not know how to run" .</p>
<p>Simply form, lean staff</p> <ul style="list-style-type: none"> ▪ Avoiding the trap of economies of scale – they seldom eventuate

- Constantly hiving off into new divisions
- Small corporate office
- Flatter organizational structure

Gary Hamel's Leadership Lessons

Best book to read Gary Hamel, "The Future of Management" Harvard Business School Press 2007.

Gary Hamel, for sometime, has been making management think about the future. His book "The future of management" has many lessons for leaders to consider.

Gary Hamel's wisdom

Continuous management innovation

You need to have a process for continuous management innovation. To be an organization that is capable of trauma free renewal rather than one that is moved to change through a crisis.

Beware of creative apartheid

Hamel advocates that most human beings are creative in some sphere of their lives. He believes creativity can be strengthened through instruction and practice, e.g. Whirlpool have trained more than 35,000 employees in the principles of business innovation.

Beware of too much hierarchy too little community

Hamel points out hierarchies are good at aggregating effort (coordinating activities) but not good at mobilizing effort (inspiring people to go above and beyond). The more you consolidate power in the hands of a few leaders the less resilient the system will be.

Aggregate collective wisdoms

Hamel points out the compelling evidence that *"a large group of people are often smarter than the smartest people in them"*.

Embrace your staff who are different

Hamel believes organizations can only excel if they embrace irregular people as their irregular ideas can be very valuable. He says look for positive deviants!

Mission matters

Hamel says that the mission must be compelling enough to overcome the gravitational pull of the past and spur individual renewal.

Let staff chose what they want to commit to

Hamel says organizations should have an opt-in and self-chosen commitment.

New management order

Hamel wants to see a new management order and the internet is an excellent example of this order.. He points out why that the internet is so successful because:

- Everyone has a voice
- The tools of creativity are widely distributed
- Easy and cheap to experiment
- Capability counts more than credentials and titles
- Commitment is voluntary
- Authority is fluid and contingent on value added
- The only hierarchies are “natural” hierarchies
- Just about everyone is decentralized
- Ideas compete on an equal footing
- It’s easy for buyers and sellers to find each other
- Resources are free to follow opportunities
- Decisions are peer-based

Whilst there are many other writers in this space, these writers are the ones that have resonated with me.

Chapter 12

Quick Annual Reporting: Within 15 Days Post Year-End

A Draft Set of Finance Team Year-End Rules

Based on better practice from around the world our finance team is going to complete its year-end radically quicker. Instead of having audited accounts by _____ weeks we are targeting ____ weeks this year.

This change is only possible when we adopt new practices and discard processes that are broken, time consuming and of questionable benefit. We need, as Peter Drucker preached, to embrace “Abandonment”.

As accountants are all artists: we sculpt a year-end result and there is no such thing as a ‘right’ number, only a ‘true and fair’ number. The finance team need only do enough to arrive at a ‘true and fair’ view. All work done after this point has been reached and will thus not be adding value. The new rules for the year-end accounts are:

- We will not delay for detail. If we have not got a final number by the required deadline we will make an estimate.
- Materiality for a misstatement to the year-end result is _____. To this end we need to limit the number of journals posted as many are immaterial. From now on I propose that:
 - no department is to raise a year-end accrual if the total accrual is less than _____
 - no debit in an accrual exercise can be for less than _____
 - no journal voucher to be raised for less than _____ at year-end
- There is a ban on spring cleaning at year-end. Year-end reporting is not the time for spring cleaning no matter how tempting it can be. All miscodings, unless resulting in a material misstatement of the P/L, are to be ignored. Budget holders are to be educated to review their cost centre numbers via on-line access to the G/L during month 12 and are requested to highlight any discrepancies immediately with the finance team.
- The month 12 result will be the year-end number. We want to have a regime where we catch all material adjustments and see the net result of them before any decision is made to adjust. All major adjustments, say over _____ are therefore to be entered on the ‘overs and unders’ spreadsheet, see Exhibit 1, that will reside on a shared drive on the local area network.
- We will maintain a shared ‘overs and unders’ spreadsheet when the auditors arrive for their final visit. I am expecting that the adjustments will have a tendency to net each other off and our month 12 result will be the number in which the auditors sign off..
- If there is a material misstatement of the net result, we will process one or two appropriate adjustments and then remove them from this schedule. This will bring the total of the overs and unders to an acceptable figure.
- We will use appropriate technology, limiting our reliance on spreadsheets.

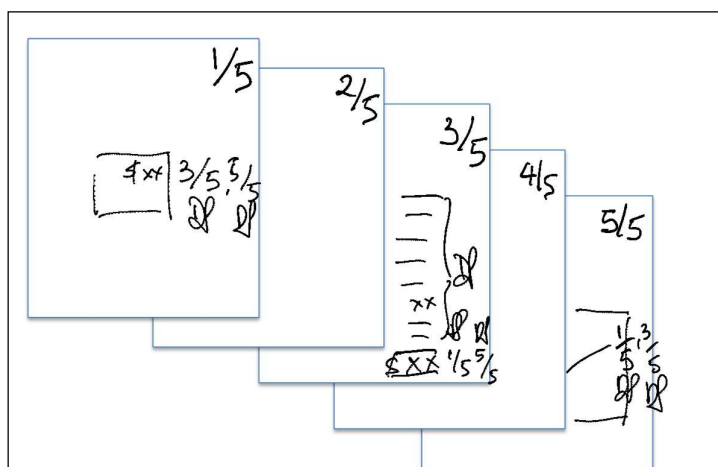
Exhibit 1: maintaining an ‘overs and unders’ schedule

Source	Raised by			Adjustment	P/L impact		B/S impact	
					Dr	Cr	Dr	Cr
xxxxx	Pat	1	Dr	fdgdhdsdfhdfgg ergergerry ertyge	45			
			Cr	fasd fasd as asdas d		45		
xxxxx	John	2	Dr	xxxx xxxx	10			
			Cr	xx x x xxxxxxxxxx		10		
xxxxx	Jean	3	Dr	xxxx xxxx	25			
			Cr	xx x x xxxxxxxxxx				25
xxxxx	Dave	4	Dr	xxxx xxxx		15		
			Cr	xx x x xxxxxxxxxx			15	
			etc					
					80	70		
					-70			
				Net impact on P/L	10			

- Hunting for the perfect number is now unacceptable, it does not exist. We are thus closing off all ledgers for month 12 the same as all prior months e.g. either by 5pm last working day or by noon last working day.
- We will not reconcile year end suppliers' statements because:
 - The supplier accounting systems are often flawed and unreliable.
 - Missing invoices will be picked up through supplier phone calls
 - It is not an internal control process, and will be removed from the procedures manual. I have discussed this with the auditors and they have agreed with the removal of supplier reconciliations.
 - The costs of performing the reconciliations is greater than the benefits of doing them.
 - We invest the time in having good systems in-house picking up liabilities as they arise (the fence at the top of the cliff).
- We will issue a flash result for month 12 to the CEO by close of the first working day, as per usual. The flash report on the profit and loss statement (P/L) will state the net result to within + or -10%.
- The final accounts will have extensive quality assurance checks. We will never issue the accounts that are not internally correct. It is far better to hold off processing last minute adjustments than it is to compromise quality. The quality assurance checks will include:
 - Checking all numbers for internal consistency within the report. Mark all pages with a number, e.g., for a five page report mark 1 of 5, 2 of 5, see Exhibit 2. For every number that appears elsewhere, either in a box, table or graph write the page reference where it appears again, by the number, and initial to indicate that you have checked this number in the subsequent page and it is right.

- A two person read through where one staff member reads aloud the report while another staff member follows the words on report. This will eliminate all spelling and grammatical errors and make the report an easier read.

Exhibit 2: Checking for consistency



- After the year-end we will hold a finance team meeting to discuss what went well during the year-end and then discuss what new innovations we can adopt for next year.

Annual Accounts Checklist

Key tasks	Tick if covered
Planning meeting with auditors	
1. <u>Preparation of agenda: it should include the following</u>	
a. Status of prior year significant audit findings	<input type="checkbox"/> Yes <input type="checkbox"/> No
b. Unresolved internal control and accounting issues	<input type="checkbox"/> Yes <input type="checkbox"/> No
c. Draft milestones should be discussed and agreement reached	<input type="checkbox"/> Yes <input type="checkbox"/> No
d. Content of this checklist	<input type="checkbox"/> Yes <input type="checkbox"/> No

e. Proposed deadlines	<input type="checkbox"/> Yes <input type="checkbox"/> No
f. Discussions of New Standards and Policy	<input type="checkbox"/> Yes <input type="checkbox"/> No
g. Procedures to alert each other to any potential issues or known obstacles that could affect the audit opinion	<input type="checkbox"/> Yes <input type="checkbox"/> No
h. Role of internal audit team, their plan work, documentation and degree of reliance that can be placed on their work	<input type="checkbox"/> Yes <input type="checkbox"/> No
i. "Information Needs" list	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. Schedule out your desired dates for the following:	
a. Commencement and completion of interim audit field work	<input type="checkbox"/> Yes <input type="checkbox"/> No
b. Scheduled progress meetings	<input type="checkbox"/> Yes <input type="checkbox"/> No
c. Pre year end meeting to address accounting issues with action plans and deadlines (where possible)	<input type="checkbox"/> Yes <input type="checkbox"/> No
d. Completion of draft financial statements	<input type="checkbox"/> Yes <input type="checkbox"/> No
e. Commencement and completion of final audit field work	<input type="checkbox"/> Yes <input type="checkbox"/> No
f. Exit conference meeting	<input type="checkbox"/> Yes <input type="checkbox"/> No
g. Audit Committee meeting	<input type="checkbox"/> Yes <input type="checkbox"/> No
h. Release of audited financial statements	<input type="checkbox"/> Yes <input type="checkbox"/> No
3.Ensure headquarters and field representatives attend this meeting with the auditors	<input type="checkbox"/> Yes <input type="checkbox"/> No
Between planning meeting and first visit	
Formal agreement to deadlines in writing by CFO and auditors	<input type="checkbox"/> Yes <input type="checkbox"/> No
<u>Information needs list</u>	
1. Agreement on the "Information Needs" list – this list should contain all key items required by the auditors prior to the commencement of the final audit fieldwork	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. Itemize schedules and working papers for each financial statement component along with the scheduled completion date	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. Schedule and working paper formats should be determined and agreed upon by both yourself and the auditor	<input type="checkbox"/> Yes <input type="checkbox"/> No
4. All schedules that would take longer than two hours to prepare should be discussed with auditors to ensure the investment is worthwhile.	<input type="checkbox"/> Yes <input type="checkbox"/> No

5 Responsibility for the preparation of each schedule in the "Information Needs" list should be assigned to specific employees immediately by your office, and this information communicated to the auditor	<input type="checkbox"/> Yes <input type="checkbox"/> No
<u>Role of internal audit team</u>	
1. Working papers of the internal audit should be completed and documented to a standard that the external auditors are happy to place some reliance on them and thus reduce their scopes. Scope must be clarified between internal and external auditors	<input type="checkbox"/> Yes <input type="checkbox"/> No
<u>Update documentation of internal controls</u>	
1. Documenting the systems of internal controls	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. Significant changes in specific internal controls are discussed with the auditor	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. All work carried out by internal audit team should be documented	<input type="checkbox"/> Yes <input type="checkbox"/> No
<u>Communication with staff</u>	
1. Designate an audit coordinator	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. Designate a contact point in every function	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. Staff and the audit staff should be made aware of who is the audit coordinator	<input type="checkbox"/> Yes <input type="checkbox"/> No
4. Have your staff mark their calendars when the auditor will be performing the interim and final fieldwork	<input type="checkbox"/> Yes <input type="checkbox"/> No
5. Distribute the "information needs" list to the appropriate staff	<input type="checkbox"/> Yes <input type="checkbox"/> No
6. Meet with staff a few weeks prior to the arrival of the auditors to assess their progress	<input type="checkbox"/> Yes <input type="checkbox"/> No
7. Discuss conflict management with staff during audit (there will likely be conflicts that your staff will encounter between the auditor's needs and the normal duties of your staff)	<input type="checkbox"/> Yes <input type="checkbox"/> No
Audit arrival interim	
1. Organize an off-site get together at interim	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. An appropriately sized room or desk space, phone, storage space, secure filing, adequate power points parking spots etc. should be arranged and ready for the auditor's arrival	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. Introduce the auditors to the audit coordinator and discuss the types of questions and concerns that can be brought to the coordinator's attention.	<input type="checkbox"/> Yes <input type="checkbox"/> No
4. A contact list should be provided to the auditors. It should note the key people for each section, their phone numbers and office locations.	<input type="checkbox"/> Yes <input type="checkbox"/> No

5. Assign an individual to locate documents for the auditors. Your staff should be able to gather information quicker and with less disruption than the auditors could.	<input type="checkbox"/> Yes <input type="checkbox"/> No
6. Hand over financial statement file (see above)	<input type="checkbox"/> Yes <input type="checkbox"/> No
7. Reconfirm and hold the progress meetings	<input type="checkbox"/> Yes <input type="checkbox"/> No
Pre year end meeting to address accounting issues	
1. Raise all the likely accounting issues (discuss draft with management to agree issues up front)	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. Obtain a sign-off from auditors as to what their opinion is	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. Discuss and agree quantification of any differences of opinion	<input type="checkbox"/> Yes <input type="checkbox"/> No
Assembling a well-structured financial statement file.	
1. Supports all numbers in the financial statements	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. Supports all numbers presented in the notes	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. Includes all schedules and reports used to compile the financial statement numbers	<input type="checkbox"/> Yes <input type="checkbox"/> No
4. Schedules and reports should tie directly to the accounting records	<input type="checkbox"/> Yes <input type="checkbox"/> No
5. Organized in order of assets, liabilities, revenues and expenses	<input type="checkbox"/> Yes <input type="checkbox"/> No
6. Explanations of significant variances from year to year	<input type="checkbox"/> Yes <input type="checkbox"/> No
7. Copies of all monthly management reports	<input type="checkbox"/> Yes <input type="checkbox"/> No
Audit arrival final	
1. An appropriately sized room or desk space, phone, storage space, secure filing, adequate power points parking spots etc. should be arranged and ready for the auditor's arrival	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. Introduce the auditors to the audit coordinator and discuss the types of questions and concerns that can be brought to the coordinator's attention.	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. A contact list should be provided to the auditors. It should note the key people for each section, their phone numbers and office locations.	<input type="checkbox"/> Yes <input type="checkbox"/> No
4. Assign an individual to locate documents for the auditors. Your staff should be able to gather information quicker and with less disruption than the auditors could.	<input type="checkbox"/> Yes <input type="checkbox"/> No
5. Hand over financial statement file (see above)	<input type="checkbox"/> Yes <input type="checkbox"/> No
6. Reconfirm and hold the progress meetings	<input type="checkbox"/> Yes <input type="checkbox"/> No

Handling the audit adjustments and representations	
1. Provide management representation letters in prescribed format	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. Organize provision of legal representation letters	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. Posting of all final audit adjustments to the financial statements	<input type="checkbox"/> Yes <input type="checkbox"/> No
Post audit activities	
1. A meeting between the audit senior and the audit coordinator should be held to discuss achievements, problems encountered, and possible solutions	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. Organize post year end party to celebrate the finish of a big task	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. Keep internal auditors informed of audit results	<input type="checkbox"/> Yes <input type="checkbox"/> No

The Post-It Re-engineering Instructions

You have been asked to attend a workshop on re-engineering month-end processes. In order to do this we need you to prepare a list of all the processes you undertake as a team at month-end.

This process is quite simple, all it requires is:

- Each team to list all their processes on to the “Post-it” stickers allocated to them prior to the workshop and document each process with a whiteboard marker pen as set out in the example below. It is important that these stickers can be read from four to five metres.

+2 Close-off Accounts Payable

- One procedure/process per Post-it (please note, every Excel is a process)
- State when it is done—time scale is -2, -1 (last working day), +1 (first working day), +2, etc.

Agenda and Outline of the Quick Year-End Workshop

Agenda and Outline of the Quick Year-End Workshop

Date & Time: _____

Location: _____

Suggested attendees: All those involved in year-end including accounts payable, financial and management accountants, representatives from teams who interface with year-end routines, e.g. someone from IT, payroll etc)

Learning Outcomes:

Attendees after this workshop will be able to:

- discuss and explain to management why their organization should have quicker Y/E reporting
- use better practices to streamline their current bottlenecks
- use a step by step implementation framework
- describe better practice year-end routines
-

9.00 am	Welcome by Financial Controller
9.10	<p>Setting the scene - A review of better practices among accounting teams, that are delivering swift annual reporting, topics covered include: .</p> <ul style="list-style-type: none">▪ what is quick y/e reporting▪ benefits of quick annual reporting to management and the finance team▪ better practice year-end procedures - stories▪ the current performance gap between _____ and better practice▪ precision Vs timeliness <p>Senior management, PR expert involved in annual report, representative from the legal team and a selection of budget holders (who are based in locally), will be invited to attend this session “setting the scene”</p>
9.50	<p>Agreement on the current key bottlenecks of year-end reporting presented by Financial Controller</p> <ul style="list-style-type: none">▪ the current cost estimate of year-end reporting▪ the human cost of the annual accounts process (weekends and late nights worked)▪ what we are doing well

	<ul style="list-style-type: none"> ▪ we need to work within existing systems ▪ goal is “signed annual accounts by 15 working days”
10.05	Workshop 1 to analyze the year-end procedures using post-its (yellow -accounts payable, green – accounts receivable, red - production, purple – annual report, blue – finance accounting team, CAPEX - pink , management accounting team – light yellow etc)
10.30	Morning break
10.45	Workshop 1 continues
11.20	Feedback and pulling it together, participants will document agreed changes and individuals will be encouraged to take responsibility for implementing the steps
12.00	Workshop 2 to set out the appropriate implementation steps to implement quick annual reporting. Each team prepares a short presentation of the key steps they are committed to making (teams will use PowerPoint on laptops)
12.30pm	Lunch
1.15pm	Workshop 2 continues
2.00pm	<p>Each team presents reports to the group regarding what changes they are going to implement and when. They can also raise any issues they still have.</p> <p>Those SMT and BHs who attended the first session will be invited to attend this session</p>
2.30 pm	Wrap up of workshop by Financial Controller
2.45pm	Finish

Post-it re-engineering processes is quite simple, all it requires is:

- Each team listing all their processes on to the “post-it” stickers allocated to them (as set out in Exhibit 7.5) prior to the workshop and documented as set out in Exhibit 7.6.
- In a workshop environment the teams gather together and start off by explaining what are better year-end procedures..
- The “post its” are placed in time order under column headings week-2, day-1, week+1, week+2 etc. using a white board (the “post-its” do not stick well to walls!!).

- A cinema voucher is given for each process that can be removed as not necessary (they were done because they were done last year) - each one removed is like finding gold as it means less work, fewer steps.
- Reorganize the key processes and bottlenecks based on better practice e.g. accounts payable close-off occurring on noon last working day and now reschedule tasks that can be done earlier. You will find it hard to justify any task needing to be done after day 3!

Annual Reporting Checklist

Key Task	Tick if covered
Have you costed out the annual accounts process?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you agree on an information needs list with the auditors?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you have a planning meeting with the external auditors?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you planned to complete final draft of the annual report before year-end (excluding numbers)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you have a person designated as the audit coordinator?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are the audit team provided with adequate and appropriate facilities (e.g., own room, phones)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you assemble a well-structured financial statement file for the auditors?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you have a pre year end meeting to address accounting issues?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you agreed on a month 10 or 11 hard close?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you streamlined the stock taking process?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is there a quick way of verifying “added value” in WIP?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you manage the management letter so it is balanced?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you restricted access to confidential information to the audit partner?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Chapter 13

Managing Your Accounts Receivable

Accounts Receivable Checklist

Key Task	Tick if covered
Do you provide immediate notice of overdue debt to the sales team?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you established clear credit practices and communicated these credit practices to staff and customers?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are you professional when accepting new accounts, and especially larger ones (e.g., perform the credit checks that a bank would when lending the same amount)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you monitor sales invoicing promptness and accuracy?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you charge penalties on overdue accounts?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you use the banks as cash handlers?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you collect over 90% of debt by direct debit?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you offer an ongoing rebate for direct debits (DD) or a monthly draw if your customer is the public (immediate Vs 20th)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are the senior management involved in collecting large difficult accounts?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are you accepting credit cards for smaller high risk customers?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you introduced the 15-month trend debtors graph?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you linked price increases with prompt payment rebates?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you cut-off AR at noon last working day, with the afternoon sales being dated as the first day of the new month?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you invoice all “monthly invoices” to customers on a 26 th to 25 th cycle (e.g., May 27 to June 26)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Alternatively, do you invoice all transactions to 26th of the month, with a 2nd invoice for remaining period of month?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you send electronic invoices to your major customers, including their general ledger codes?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you streamlined the processes between sub-contractors and customer to ensure a prompt and accurate billing process?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Chapter 14

Attracting and Recruiting Talent

14 Questions You Should Consider Asking in an Interview

Dr Richard Ford has written a good article on “how to hire the ‘A’ players”. The 14 great questions have been slightly altered to accommodate the thinking of Peter Drucker.

1. Why did you leave your last job? Why do you want to leave your current job? You then ask “Why was that? Jack Welch says you should ask the five whys
2. Of what achievements are you most proud?
3. What has been your hardest decision you have had to make that may have made you unpopular?
4. What are your strengths?
5. What sorts of things irritate and frustrate you most?
6. When was the last time you celebrated team members?
7. What will reference checks disclose about your personal and operating style and how will your style impact on other team members?
8. How do you plan to grow and stretch yourself in the next five years?
9. What would your colleagues say is the best thing about you?
10. Give examples of your commitment to innovation?
11. Tell me about a time when you had to persuade people to do something they did not want to do? What happened?
12. When I call your last boss, how will he/she rate your performance on a 0-10 scale and why?
13. How would your colleagues describe your team-playing abilities?
14. Why do you want this job?

Chapter 15

Lean Accounting

Some Lean Accounting Articles to Download

Frances Kennedy with Brian Maskell, Why do we need lean Accounting and How does it work? Journal of Corporate Accounting & Finance, March/April 2007
Jean Cunningham, The lean Vs standard costing accounting conundrum, (Finance & Management Faculty Journal, ICAEW, June 2012)
Brian H, Maskell, Lean Accounting & Activity-Based Costing,
Frances Kennedy, Why – and how – lean accounting works, (Finance & Management Faculty Journal, ICAEW, May 2011)
Brian H. Maskell and Bruce L. Baggely, Lean Accounting: What's it all about?, (Association for Manufacturing Excellence Target Magazine, First Issue 2006)

Chapter 16

Implementing Quarterly Rolling Forecasting and Planning

Checklist to Evaluate Prospective Project Team Members

Has candidate received training or had experience in:	Candidate	Candidate	Candidate	Candidate
▪ re-engineering (“post-it re-engineering”)	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ problem-solving techniques	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ brainstorming techniques	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ “story-boarding” report writing	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ designing informative graphs	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ objective setting	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ delivering motivational presentations	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ interviewing skills	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ “active” listening skills	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ maintaining project files	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ project management	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ database design and use	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

Does the candidate have the following traits:	Candidate	Candidate	Candidate	Candidate
▪ a self-starter	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ innovative (demonstrated innovation in the past)	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ advanced communication skills	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ ability to bring others “on board”	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ ability to market concepts	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ a good track record in finishing projects they have started	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ able to see “the wood from the trees”	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

Implementing QRF Regime Checklist

This checklist is an evolving tool, and is designed to help ensure that while you are juggling the balls you do not drop the ones that matter.

Key Task	Tick if covered
Secure Senior Management Team (SMT) commitment	
1. Prepare comprehensive presentation to management	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. Big sell to management (historic evidence incl. Costs, better practices, benefits to them) via a presentation	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. Get commitment for a “ fast light touch" forecast process	<input type="checkbox"/> Yes <input type="checkbox"/> No
4. Work closely with the Exec. Assistants regarding diary bookings so SMT are present during the first forecast	<input type="checkbox"/> Yes <input type="checkbox"/> No
5. Ensure that management understand what is going to be delivered, and what will be their involvement (Expectation management)	<input type="checkbox"/> Yes <input type="checkbox"/> No

6. Ensure that the CEO is very visible during the road show	<input type="checkbox"/> Yes <input type="checkbox"/> No
Selection of a project team	
7. Ensure project team has no more than four members	<input type="checkbox"/> Yes <input type="checkbox"/> No
8. Mix between people with forecasting, systems structure and design expertise	<input type="checkbox"/> Yes <input type="checkbox"/> No
9. Look for personality fit (see checklist for prospective project team members to complete)	<input type="checkbox"/> Yes <input type="checkbox"/> No
10. Have an end user or budget holder (budget holder) on project team	<input type="checkbox"/> Yes <input type="checkbox"/> No
11. Team leader assigned	<input type="checkbox"/> Yes <input type="checkbox"/> No
Establish your quarterly pattern to best fit your needs and external requirements	
12. Avoid peak or holiday months	<input type="checkbox"/> Yes <input type="checkbox"/> No
13. Link to monthly / quarterly / ½ yearly external reporting requirements	<input type="checkbox"/> Yes <input type="checkbox"/> No
14. Determine when the forecast cycle is to be performed e.g. commence 2 nd Monday March, June, September, December	<input type="checkbox"/> Yes <input type="checkbox"/> No
15. Set pattern that fits with legal deadlines if public sector	<input type="checkbox"/> Yes <input type="checkbox"/> No
16. Communicate dates to budget holders	<input type="checkbox"/> Yes <input type="checkbox"/> No
Revisit last year's forecasting process and ascertain lessons learnt	
17. Interview two to three members of the SMT for a debriefing	<input type="checkbox"/> Yes <input type="checkbox"/> No
18. Interview four to six budget holders for a debriefing	<input type="checkbox"/> Yes <input type="checkbox"/> No
19. Workshop with a focus group to ascertain hurdles and barriers	<input type="checkbox"/> Yes <input type="checkbox"/> No
20. Report back findings to SMT and obtain sign-off for next phase	<input type="checkbox"/> Yes <input type="checkbox"/> No
21. Gather historic information which can be used to help with the new forecasting system e.g. trends, averages, etc.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Evaluation of system requirements (incl. Focus group meeting)	
22. Hold a focus group, one day workshop, made up of a mix of key individuals around the different businesses and administrators who have a good understanding of operation issues	<input type="checkbox"/> Yes <input type="checkbox"/> No
23. Focus group workshop to ascertain the likely scenarios	<input type="checkbox"/> Yes <input type="checkbox"/> No
24. Have one application demonstrated at the focus group workshop	<input type="checkbox"/> Yes <input type="checkbox"/> No
25. Report on recommended application and how it is to be built	<input type="checkbox"/> Yes <input type="checkbox"/> No

26. Road map for development drafted	<input type="checkbox"/> Yes <input type="checkbox"/> No
27. Select at least four to five in-house staff to become experts on the forecasting system (do not forget the CFO) and ensure they are in the focus group	<input type="checkbox"/> Yes <input type="checkbox"/> No
28. Assess the organization's skill set regarding implementation (extra training may be required to fill gaps)	<input type="checkbox"/> Yes <input type="checkbox"/> No
Commence acquisition of planning application	
29. Appraise systems and short list to three before RFP	<input type="checkbox"/> Yes <input type="checkbox"/> No
30. Team to visit different sites of preferred solution	<input type="checkbox"/> Yes <input type="checkbox"/> No
31. If major project prepare a RFI as new systems are coming on stream all the time (this adds additional time to the project)	<input type="checkbox"/> Yes <input type="checkbox"/> No
32. Establish selection criteria and short list down to three to five for the proposal	<input type="checkbox"/> Yes <input type="checkbox"/> No
33. Reduce to the best two applications	<input type="checkbox"/> Yes <input type="checkbox"/> No
Organize test of the best two applications by contracting the consultants to model some of the required key features (consultants paid).	
34. Request short-listed suppliers to demonstrate their application on some of the key features. Agree to two -three days of consultancy fees and evaluate results (the winner is expected to offset these days from the quoted price)	<input type="checkbox"/> Yes <input type="checkbox"/> No
35. Sign-off deal	<input type="checkbox"/> Yes <input type="checkbox"/> No
36. Ensure key consultants are locked-in to job	<input type="checkbox"/> Yes <input type="checkbox"/> No
Training of in-house designated experts on the new application	
37. Provide in-depth training to the four to five in-house staff who are to become experts on the forecasting system (do not forget the CFO)	<input type="checkbox"/> Yes <input type="checkbox"/> No
38. Organize off-site visits so they can see other applications and learn from their experience	<input type="checkbox"/> Yes <input type="checkbox"/> No
Build new model using in-house teams with external advice	
39. More than one in-house staff member involved in design	<input type="checkbox"/> Yes <input type="checkbox"/> No
40. Documentation of logic has been completed	<input type="checkbox"/> Yes <input type="checkbox"/> No
41. Keep to Pareto's 80/20 e.g. personnel costs should have much more detail	<input type="checkbox"/> Yes <input type="checkbox"/> No
42. Based on key drivers ascertained through research and discussions with SMT	<input type="checkbox"/> Yes <input type="checkbox"/> No

43. Brainstorm with SMT what their likely scenarios are	<input type="checkbox"/> Yes <input type="checkbox"/> No
44. Ensure you can accommodate these in model design:	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ Introduction of the new product(s)	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ Close-down of an operation	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ Delay of a major initiative	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ Extrapolations on expenditure profiles that can be best computed by trending data	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ Major shift in assumptions	<input type="checkbox"/> Yes <input type="checkbox"/> No
45. Consultants give workshops and train but do not perform the modelling	<input type="checkbox"/> Yes <input type="checkbox"/> No
46. Follow the KIS (kept it simple) principle	<input type="checkbox"/> Yes <input type="checkbox"/> No
47. Make provision to accommodate budget holders calculations in model	<input type="checkbox"/> Yes <input type="checkbox"/> No
48. Where relevant, link forecasting tool to performance indicators	<input type="checkbox"/> Yes <input type="checkbox"/> No
49. Ensure budget holders are directly involved in the forecasting process e.g. no delegation	<input type="checkbox"/> Yes <input type="checkbox"/> No
50. Lock in a short forecasting process	<input type="checkbox"/> Yes <input type="checkbox"/> No
51. Deliver more interesting information from forecast process e.g. trend graphs, performance measures	<input type="checkbox"/> Yes <input type="checkbox"/> No
52. During forecasting period (one or two weeks) update frequently how the budget holder numbers are progressing	<input type="checkbox"/> Yes <input type="checkbox"/> No
53. Constantly market the success stories	<input type="checkbox"/> Yes <input type="checkbox"/> No
Pilot planning application on two areas	
54. Set up new forecasting regime in two or three units, a quarter ahead, to iron out the bugs and to promote the efficiencies	<input type="checkbox"/> Yes <input type="checkbox"/> No
55. Fine tune system based on results and feedback	<input type="checkbox"/> Yes <input type="checkbox"/> No
Road -show of new rolling forecast application	
56. Prepare presentation (road test in front of PR expert)	<input type="checkbox"/> Yes <input type="checkbox"/> No
57. Test deliver especially the workshop exercises	<input type="checkbox"/> Yes <input type="checkbox"/> No
58. Deliver road-show	<input type="checkbox"/> Yes <input type="checkbox"/> No
59. Improve road-show, on the road, based on feedback	<input type="checkbox"/> Yes <input type="checkbox"/> No

60. Explain that budget holders are encouraged to give realistic forecasts rather than what they think management wants to hear	<input type="checkbox"/> Yes <input type="checkbox"/> No
Roll out training of planning application (using in-house experts)	
61. Find those staff who thrive with new technology and train them first	<input type="checkbox"/> Yes <input type="checkbox"/> No
62. Learn from previous forecast mistakes and train staff to avoid them	<input type="checkbox"/> Yes <input type="checkbox"/> No
63. Train all significant budget holders by “one-on-one” training	<input type="checkbox"/> Yes <input type="checkbox"/> No
64. Set up from the outset a quarterly follow-up training course	<input type="checkbox"/> Yes <input type="checkbox"/> No
65. Assess the training needs of the project champion e.g. some training gaps may need to be filled	<input type="checkbox"/> Yes <input type="checkbox"/> No
Complete QA processes on first rolling forecast	
66. Establish in-depth QA procedures	<input type="checkbox"/> Yes <input type="checkbox"/> No
67. Set up index for QRF file and a standard for working papers	<input type="checkbox"/> Yes <input type="checkbox"/> No
68. Provide reasonability checks	<input type="checkbox"/> Yes <input type="checkbox"/> No
69. Audit the forecast application prior to use	<input type="checkbox"/> Yes <input type="checkbox"/> No
70. Book in the diaries of the forecasting committee (CEO, two GMs and CFO) the key dates when they need to be in committee to interview budget holders - book two years forward	<input type="checkbox"/> Yes <input type="checkbox"/> No

Performing a Quarterly Rolling Forecast Checklist

This checklist is designed to ensure you cover all the bases each time you run a forecast.

Key Task	Tick if covered
Perform pre-work for quarterly run using new rolling forecast application	
1. Automate any additional expense categories you can e.g. where trend analysis is as good or better than a budget holder's estimate	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. Up to date standard costings for travel, accommodation, transfers and daily allowances to all common destinations	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. Introduce continuous improvements based on prior quarter surveys	<input type="checkbox"/> Yes <input type="checkbox"/> No

4. Complete payroll details and pre-populated all budget holders schedules	<input type="checkbox"/> Yes <input type="checkbox"/> No
5. Issue QRF timetable on the intranet	<input type="checkbox"/> Yes <input type="checkbox"/> No
6. Obtain up to date demand forecasts from key customers where possible	<input type="checkbox"/> Yes <input type="checkbox"/> No
7. Set key assumptions and materiality levels before the forecast round	<input type="checkbox"/> Yes <input type="checkbox"/> No
8. Prepare presentation for budget holders (slides and handouts)	<input type="checkbox"/> Yes <input type="checkbox"/> No
9. CEO invitation to attend quarterly rolling presentation sent stating permission is to be sought from CEO if not attending workshop	<input type="checkbox"/> Yes <input type="checkbox"/> No
10. Deliver presentation explaining to all budget holders how it is going to be done, assumptions, lessons from last run etc	<input type="checkbox"/> Yes <input type="checkbox"/> No
11. Organize additional support to help with one-to one support (using local accounting firms - their staff would have to attend the workshop)	<input type="checkbox"/> Yes <input type="checkbox"/> No
12. Provide briefing to new support staff from local accounting firms (if used)	<input type="checkbox"/> Yes <input type="checkbox"/> No
13. Establish schedule of who is to provide who with one-to-one support during the forecast.	<input type="checkbox"/> Yes <input type="checkbox"/> No
14. Up to date revenue and expenditure trend graphs, where necessary.	<input type="checkbox"/> Yes <input type="checkbox"/> No
15. Have limited budget holder's forecast requirements to no more than twelve cost category lines	<input type="checkbox"/> Yes <input type="checkbox"/> No
16. Process any changes highlighted from last forecast and audit the formulas forecast in the forecasting application	<input type="checkbox"/> Yes <input type="checkbox"/> No
17. Remind forecasting committee (CEO, two GMs and CFO) of their responsibilities	<input type="checkbox"/> Yes <input type="checkbox"/> No
Support budget holders during forecast preparation	
18. Provide more one-to-one support	<input type="checkbox"/> Yes <input type="checkbox"/> No
19. Provide a daily progress report to CEO of budget holders who are running late - shame and name report	<input type="checkbox"/> Yes <input type="checkbox"/> No
20. Provide incentives for prompt forecast returns (e.g. cinema vouchers)	<input type="checkbox"/> Yes <input type="checkbox"/> No
21. Ensure budget holders have provided insightful commentary	<input type="checkbox"/> Yes <input type="checkbox"/> No
22. Provide budget holders with comparison graphs so they can see how reasonable that forecast looks against the past trends	<input type="checkbox"/> Yes <input type="checkbox"/> No
Complete QA procedures	
23. Ensure all returns are in	<input type="checkbox"/> Yes <input type="checkbox"/> No

24. Check all key ratios for reasonableness	<input type="checkbox"/> Yes <input type="checkbox"/> No
25. Review all revenue and expenditure graphs to ensure the trends look reasonable	<input type="checkbox"/> Yes <input type="checkbox"/> No
26. Ensure all key papers have been filed on the master file	<input type="checkbox"/> Yes <input type="checkbox"/> No
27. Rework forecasts where forecasts have known and agreed errors - with budget holders permission	<input type="checkbox"/> Yes <input type="checkbox"/> No
28. Check correct treatment of costs on major projects	<input type="checkbox"/> Yes <input type="checkbox"/> No
29. Interviews budget holders by forecasting committee where the forecast is significantly different	<input type="checkbox"/> Yes <input type="checkbox"/> No
30. Look for missed major expenditure items	<input type="checkbox"/> Yes <input type="checkbox"/> No
Forecast committee	
31. Advise budget holders of times for them to turn up and present their case to the forecast committee (requesting additional funding, wanting to maintain unsubstantiated funding)	<input type="checkbox"/> Yes <input type="checkbox"/> No
32. Forecasting committee confirmed their attendance	<input type="checkbox"/> Yes <input type="checkbox"/> No
33. Forecasting committee interviewed all relevant budget holders	<input type="checkbox"/> Yes <input type="checkbox"/> No
34. Adjust forecasts based on feedback from the Forecasting committee	<input type="checkbox"/> Yes <input type="checkbox"/> No
35. Forecasting committee confirm forecast	<input type="checkbox"/> Yes <input type="checkbox"/> No
Presentation of forecast to budget holders	
36. Delivery of presentation #2- the final forecast numbers to budget holders (this helps make the quarterly forecast contestable)	<input type="checkbox"/> Yes <input type="checkbox"/> No
Review process - lessons learnt	
37. Set up intranet based feedback survey on QRF process	<input type="checkbox"/> Yes <input type="checkbox"/> No
38. Plan next forecast run	<input type="checkbox"/> Yes <input type="checkbox"/> No
39. Ascertain budget holders who require special assistance next time	<input type="checkbox"/> Yes <input type="checkbox"/> No
40. Check for any timing differences when the last month-end numbers are finalized (budget holders have forecast in the middle of that month so they did not know the final numbers)	<input type="checkbox"/> Yes <input type="checkbox"/> No
41. Update reporting application with new targets for the forthcoming three months	<input type="checkbox"/> Yes <input type="checkbox"/> No

The “Planner Tool Supplier” Evaluation Checklist

Ratings of planning tool providers against key requirements:	_____	_____	_____	_____
The supplier has an agent who is local.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
They are skilled trainers.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
They have worked with our G/L.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
The tool is easy to use.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
License costs are reasonable.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
The supplier’s key consultants are available for this project.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Demonstration shows that they understand our requirements.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Good feedback from _____.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Good feedback from _____.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

Chapter 17

Finding Your Organization's Operational Critical Success Factors

A Copy of Chapter 11 from Key Performance Indicators: Developing, Implementing and Using Winning KPIs, 3rd ed.

Due to its size this is available in a separate document.

Common Operational Success Factors

To assist organizations, I have set out some success factors and have organized them by:

- Those which I consider will be success factors for many organizations. However, you do need to perform the fine tuning of the success factor wording and then the mapping exercise to ascertain whether these are, in fact, the critical success factors for your organization.
- The principle focus of the success factors using the six balanced scorecard perspective groupings discussed in the book. Please note that success factors (SFs) do not neatly fit within a perspective, often they can be in more than one perspective

I have developed some templates of success factors for different entities. These templates are available electronically.

Common success factors	Reworded success factor for your business
Success Factors that could well be in your operational critical success factors	
Stay, say, strive engagement with staff who contribute to our success both now and in the future	
Recruit the right people all the time	
Develop exceptional people and teams who follow our organization's philosophy (a Toyota principle)	
Grow leaders who thoroughly understand the work, live the philosophy, and teach it to others (a Toyota principle)	
Willingness to abandon activities, processes and initiatives that are not working or are unlikely to succeed	
Make decisions slowly by consensus, thoroughly considering all options; implement decisions rapidly (a Toyota principle)	
Delivery in full, on time, all the time to our key customers	
Other Success Factors with an Environment & Community Focus	
Supporting all groups within the community through community interactions	
Support educational institutions (who are the source of new employees)	
Encouraging voluntary assistance by staff to the local community	
Good working relationships with key community organizations	
Supporting local businesses (percent of purchases to have local content)	

Common success factors	Reworded success factor for your business
Other Success Factors with an Internal Process Focus	
Maintaining a healthy and safe workplace (safety always comes first)	
Respect your extended network of partners and suppliers by challenging them and helping them improve (a Toyota principle)	
Completion of projects on time and to budget (respond in a timely and appropriate way to sub-optimal project implementation)	
A culture of stopping to fix problems, to get quality right the first time	
Use visual control so no problems are hidden (a Toyota principle)	
Use only reliable, thoroughly tested technology that serves our people and processes (a Toyota principle)	
Timely, accurate, decision based information	
We finish what we start	
We administer change management processes successfully	
Paperless information flow with both our key suppliers and key customers	
Other Success Factors for a Finance Focus	
Improved risk management (better forecasting, contingency planning etc.)	
Increased repeat business from key customers (leading to increasing market share)	
Fiscally responsible management, by all managers	
Prioritizing all activities that will speed up cash collection of major accounts	

Common success factors	Reworded success factor for your business
Maximize off-season potential	
Greater recovery of chargeable hours	
Other Success Factors for a Customer Focus	
Introduction of new services that add value to our key customers	
Improve turnaround time from order to delivery for our key customers	
Our customers being active advocates for our business (especially our key ones)	
Seeking excellence in every aspect of our interaction with our customers	
Acquisition of new key customers	
Other Success Factors for an Innovation and Learning Focus	
Create an environment where our people are encouraged to meet their full potential	
Be a learning organization through relentless reflection and continuous improvement (a Toyota principle)	
Increasing employee productivity	
Go and see for yourself to thoroughly understand the situation (a Toyota principle)	
Increasing adaptability and flexibility of staff	
More open access for staff to strategic information	
Increasing empowerment (delegated decision making)	

Common success factors	Reworded success factor for your business
Other Success Factors with an Employee Satisfaction Focus	
Recognition is a daily activity (being an organization that recognizes our staffs' achievements)	
Promoting and supporting a balance in working and home life (respect different working styles/working hours)	
Appropriate reward and recognition structure for all	
Promoting open decision making	
We see celebrating success as a priority	
A pleasant and healthy physical work environment for all staff	

Chapter 18

Getting Your KPIs to Work

The Role of the Chief Measurement Officer

The Chief Measurement Officer is responsible for driving 21st century measurement practices within the organization. The position provides support and coordination on various projects and activities related to performance management and measurement to support the operational excellence initiatives.

Outline

Performance measurement is worthy of more intellectual rigor in every organization on the journey from average to good, and finally to great. The Chief Measurement Officer would be a part psychologist, part teacher, part salesperson and part project manager.

The Chief Measurement Officer would be responsible for:

- Testing measures to ensure the dark side of a performance measure is minimized
- Vetting and approval of all measures in the organization
- Leading all balanced scorecard initiatives
- Promoting the abandonment of measures that do not work
- Developing and improving the use of performance measures in the organization
- Learning about the latest thinking in performance measurement
- Being the resident expert on the behavioural implications of performance measures
- Replacing annual planning by introducing quarterly rolling planning
- This position has a status equivalent of the senior IT, accounting and HR officials. The position reports directly to the CEO befitting the knowledge and diverse blend of skills required for this position. Only when we have this level of expertise, within the organization, can we hope to move away from measurement confusion to measurement clarity.

Duties/responsibilities of the Chief

Measurement Officer

Here is a list which should be tailored accordingly:

- Testing of measures to ensure the dark side of a performance measure is minimized
- Vetting and approval of all measures in the organization
- Leading all balanced scorecard initiatives
- Promoting the abandonment of measures that do not work
- Developing and improving the use of performance measures in the organization
- Learning about the latest thinking in performance measurement
- Being the resident expert on the behavioural implications of performance measures
- Replacing annual planning by introducing quarterly rolling planning
- Running series of in-house workshops to promote the initiatives mentioned above
- Provide assistance as needed to departments to improve performance and efficiencies.
- Follow established policies and procedures; determine and recommend potential enhancements.
- Integrate performance management with all management functions.
- Assists business partners in conducting performance calibration sessions.
- Manages the annual performance evaluation process and cyclical activities.
- Drives corporate operational excellence component (Lean initiatives, Quality, Smart Solutions and applicable training) in a facility.
- Perform analysis on key metrics/processes and recommend Kaizen process improvements that maximize efficiencies.
- Create reports and document processes.
- Work in conjunction with any department in a facility or through corporate department personnel in order to keep the station facility in compliance with reporting and sustaining station goals driven through the continuous improvement and operational excellence programs.
- Ensures that all employees have completed a Goal Setting plan at the start of the year.
- Ensures that performance discussions are documented and implemented accordingly.
- Assist in communicating measurement standards and key performance indicators to all members of the organization.
- Monitor and verify the integrity of the data to be reported and reviewed with local management before distributing.
- Prepare and report all performance measures (i.e. monitoring tool) and Kaizen results to corporate and local management.
- Maintains and updates company competencies at all levels and ensures effective utilization of the competencies and desired behaviors.

- Remains up-to-date on latest performance management, training and development, and career management issues.
- Reviews and updates performance appraisal tools and technologies.

External Relationship Development:

- Manage and cultivate relationships with best practice organizations and professional bodies involved in six sigma, rganizational excellence, agile, lean.
- Publicly represent the organization with the media and conferences to create external branding around the progress made. This is designed to attract like minded individuals to apply for positions in the organization.

Skills and experience:

With a new role that is, at this point in time, very rare it is unlikely that candidates will be thick on the ground. In addition, the role will be very difficult for someone coming in from outside as they would not have the business understanding nor the “street credibility with the organization which would be fundamental for this role. The answer lies in-house.

For organizations over 500 employees there will be enough talent to find someone who:

Degree	Has tertiary qualifications and thus is ability to absorb new methods and practices swiftly
Project management	Has a success track record in project management
Good on their feet	Is known for well thought out and interesting presentations
Respected	Is well respected within the organization – has favors to call on
Analytic and decisive decision maker	Is an analytic and decisive decision maker with the ability to prioritize and communicate to staff key objectives and tactics necessary to achieve organizational goals
Full time	Can be freed from their role and sent on a sabbatical to up skill their understanding of their role
Selling change	Has been able to sell change within the organization successfully

Interpersonal skills	Has advanced interpersonal skills and an understanding of human behavior
Communication skills	Has strong written and verbal communication skills; is a persuasive and passionate communicator with excellent public speaking skills.
Action-oriented & entrepreneurial	Action-oriented, entrepreneurial, flexible, and has an innovative approach to operational management.
Balanced	Has passion, humility, integrity, positive attitude, mission-driven, and is self-directed.

Obviously there will be gaps that can be filled in the sabbatical.

Developing winning KPIs and reporting them in a Balanced Scorecard (BSC)	Tick if covered
Have sold the need for a key performance indicator project through the emotional drivers?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you understand the difference between the four types of performance measures (KRIs, RIs, PIs, & KPIs)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have the team listened to the free webcasts on KPIs by D. Parmenter accessed via www.davidparmenter.com ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you read the book Key Performance Indicators: Developing, Implementing, and Using Winning KPIs, 3rd Edition John Wiley & Sons, 2015 by David Parmenter, details available from www.davidparmenter.com	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you understand the 10/80/10 rule?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Can you recall the characteristics of KPIs?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you and the senior management team understand the six stage process of implementing KPIs?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you and the senior management team understand the role the organization's critical success factors play in developing performance measures that work?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you have a dashboard for the board of directors?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you have a balanced scorecard for management?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Do you have a balanced scorecard for teams?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you have an icon-based report telling staff monthly how the organization is progressing with its CSFs?	<input type="checkbox"/> Yes <input type="checkbox"/> No

KPI Articles

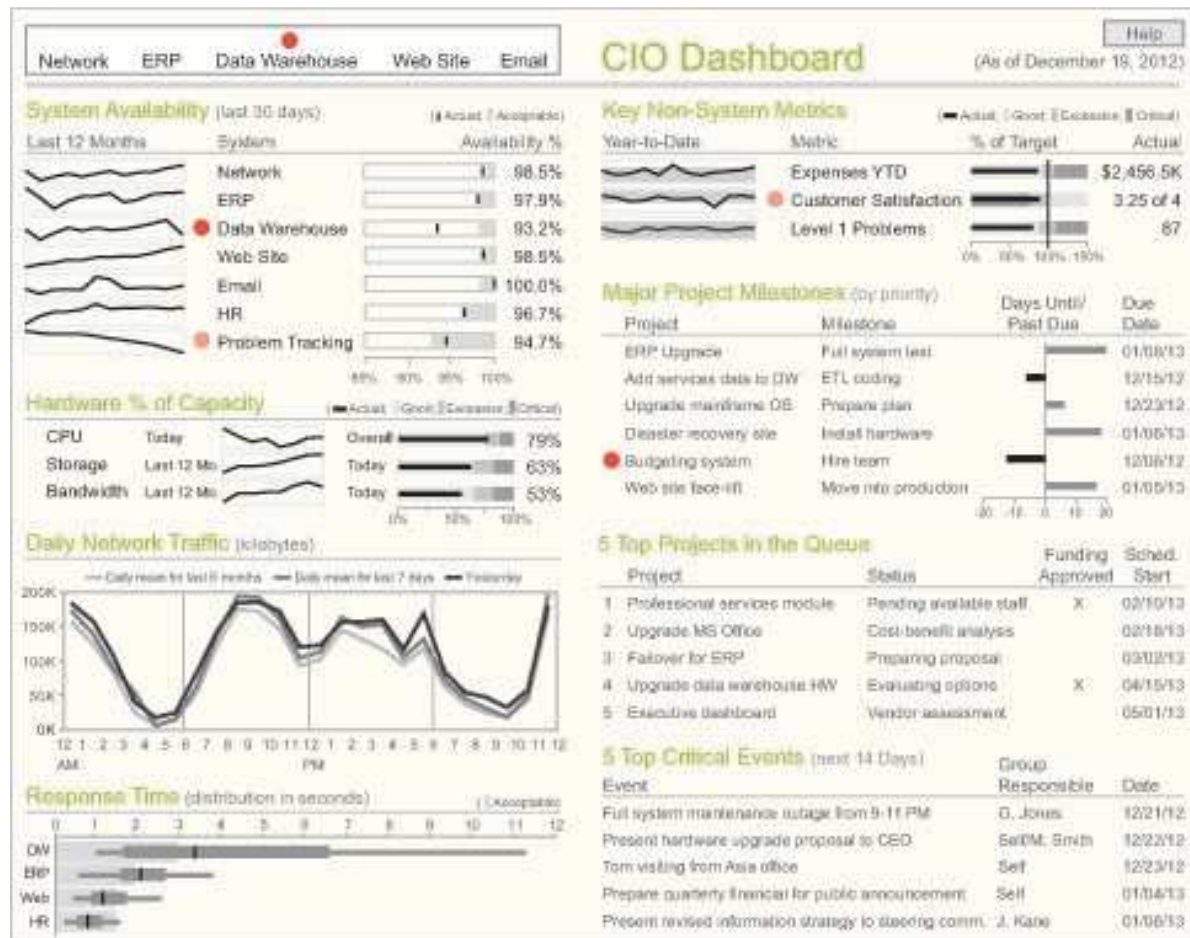
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Chapter 19

Reporting Performance Measures



















The Reporting Exhibits

Example of a Monthly Report to Management



Source: Stephen Few www.perceptualedge.com

Example of a Monthly Report to Staff

Progress Report to Staff - For our Operations Throughout September 20__				
Our mission		To provide _____ at the right price at the right time		
Our vision for next five years		To be the preferred _____ provider in _____		
Our Strategies (what we are doing to achieve our vision)		1. Acquiring profitable customers 2. Increase cost efficiencies 3. Innovation through our people 4. Using best business practices		
What we have to do well every day - our critical success factors (CSFs)		Our performance measures in the CSFs	Actual	Target
Delivery in full on time to key customers	On time deliveries to our key customers	 98%	98%	99%
	Goods rejected by key customers due to quality defects	 3%	3%	4%
We are warriors against waste	Wastage reduction programs started in month	 0	0	2
	Waste reduced from existing programs	 9%	9%	10%
We finish what we start	Number of late projects	 5	5	15
	Number of project finishes in month by due date	 9	9	10
We are a learning organisation	Staff training hours this month	 150	150	220
	Staff with mentors	 35	35	80
We grow leaders	Leaders appointed from within last month	 4	4	2
	Managers in leadership programs	 9	9	10
Attracting new profitable customers	Orders from new customers	 3	3	10
	Positive feedback from new customers	 3	3	2
Innovation is a daily activity	Ideas adopted last month	 9	9	20
	Ideas for implementation within 3 months	 20	20	50
We are respected in the communities we work in	Community participation by employees in month	 30	30	20
	New initiatives planned for community, next 3 months	 3	3	2
Increase in repeat business from key customers (KC)	Order book from key customers	 \$500,000	\$500,000	\$400,000
	Number of product developments in progress	 3	3	2

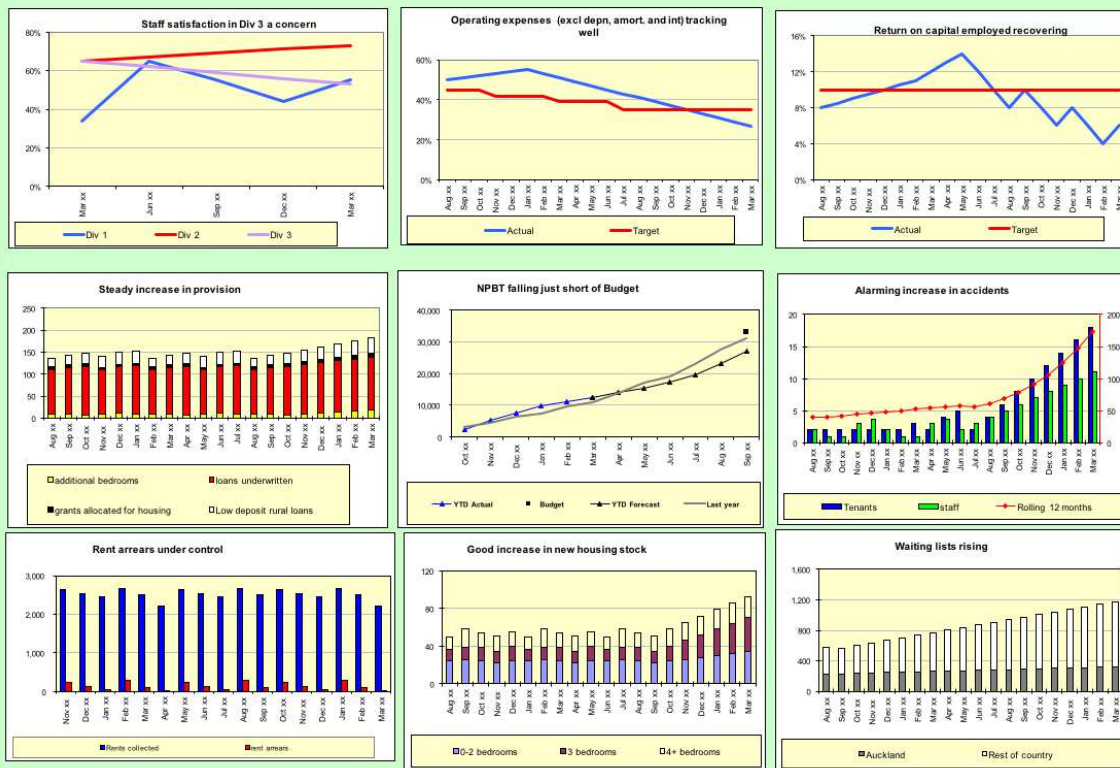
Amber (acceptable)

Red (poor)

Green (good)

Board Dashboard on an A3 Page

Dashboard for Board - March 20__



Areas of concern

- The expected shortfall at year-end is largely a result of the electrical consumer division and the _____ division.
- _____
- _____

Areas to Note

- The electrical consumer division decline is of concern. A special strategy meeting is being held on xx June to investigate new revenue avenues to help weather this storm.
- _____
- _____

Financial Performance for the __ months ended ____ 20__

All figures are \$Ms

Revenue

Total Revenue

Expenses

Personnel

Accommodation costs

Telecommunication costs

Total

Surplus/(deficit)

	Actual	YTD Budget	Variance ¹	Forecast	Full Year Plan	Variance
Revenue	55.2	60.1	(4.9)	73.6	85.9	(12.3)
	42.1	41.7	0.4	56.1	59.6	(3.4)
Total Revenue	97.3	101.8	(4.5)	129.7	145.4	(15.7)
Expenses						
Personnel	50.2	53.4	3.2	66.9	76.3	9.4
Accommodation costs	28.1	26.0	(2.1)	35.6		
Telecommunication costs	10.2	11.5	1.3	14.7	16.4	1.7
	4.5	3.0	(1.5)	5.0		(5.0)
	5.1	5.3	0.2	6.8	7.6	0.8
Total	98.1	99.2	1.1	11.8	7.6	6.9
Surplus/(deficit)	(0.8)	2.6	(3.4)	117.9	137.9	(8.8)

- Positive numbers represent under expenditure or additional revenue
- xx.xx% of the year has been completed.

Statement of Financial Position

All figures are \$Ms

SHAREHOLDERS' FUNDS

Represented by:

Bank and Cash

Debtors

Total Current Assets

Property and equipment

Intangible assets

Total LT Assets

Total Assets

Creditors and payables

Unearned income

Employee entitlements

Total Current Liabilities

Non Current Liabilities

Total Liabilities

NET ASSETS

As at	Previous month	Movement
25.5	25.0	0.5
6.3	9.5	(3.2)
5.3	5.5	(0.2)
11.6	15.0	(3.4)
16.2	18.1	(1.9)
22.6	18.2	4.4
38.6	36.3	2.3
50.4	51.3	(0.9)
9.1	9.5	(0.4)
5.3	6.1	(0.8)
6.3	6.5	(0.2)
20.7	22.1	(1.4)
4.2	4.2	-
24.9	26.3	(1.4)
25.5	25.0	0.5

- Working capital ratio: __:1

Areas to Note

Debtors have benefited from the work done to reduce outstanding debt.
The amount which is overdue more than 30 days is now \$5.0m down from \$5.5m

Example of a IS Monthly Team Balanced Scorecard

Information System's Scorecard

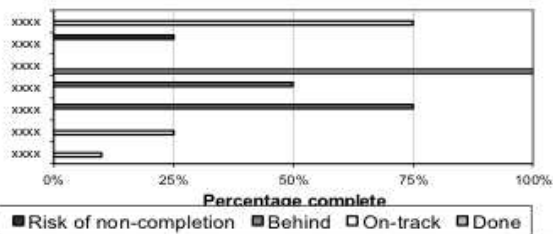
Customer Focus

Help desk	This month	Target
Programme visits to managers	4	6
Service requests outstanding (faults, works requests) at month end	24	15
Service requests closed in month	45	55
% calls fixed by Help Desk from 1st call	55%	65%
Initiatives underway based on satisfaction survey	0	5 by 30 June
Services outages Vs SLA's	This month	Target
Average Mainframe Response Time	1 sec	<0.75 sec
Outage time per month / # of times	None	<1hr/mth
Information Systems Strategic Plan	This cycle	Target
Programme visits to managers	4	12
Presentations of ISSP to managers	2	6

Internal Process

Disaster recovery	This month	Target
Backup every night	100%	100%
Months since last back-up tested at remote site	3	<4
Rolling checks on C drives	25	40
Our ability to deliver	This month	Target
% of jobs completed on time on budget	#REF!	60%
% of time of developers spent on high priority / high value work	55%	65%
Staff trained to use system	45	150
Completions	This month	Target
Projects in progress	#REF!	<8
Reports/documents still in draft mode	#REF!	<5

Projects Status



Environment and Community

	This month	Target
Presentations given to third part organizations	1 in last 12 months	>3 in year
Number of Finance staff involved in community activities	10	>15

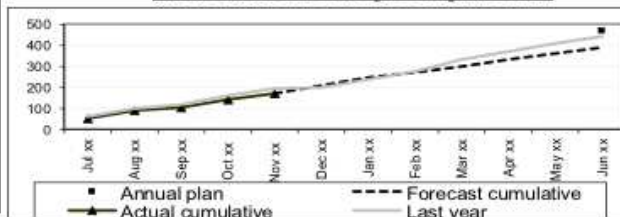
IS Team Satisfaction

	This month	target
No. of formal staff recognitions made in the month	1	>2
Date of next planned celebration	30-Jun	>1 per month
Number of abandonments made this month	5	>5 per month
Staff functions planned to occur in next three months	0	>2

Innovation & Learning

Training needs outstanding	Next 3 months	Last 12 months
Chief information officer	0	2
Team	0	5
Team	0	2
Team	0	1
Team	0	1
Average for all IT staff	<0.1	2.5
Coaching sessions	This month	Last quarter
Number of staff who have had one-on-one coaching sessions	0	4
Innovations implemented	This month	Target
Number of staff innovations implemented	10	23

Financial Results - Progress Against Plan



Findings:

Action to be taken:

Chapter 20

Performance Bonus Schemes

A Checklist to Ensure that You Lay Down These Foundation Stones Carefully

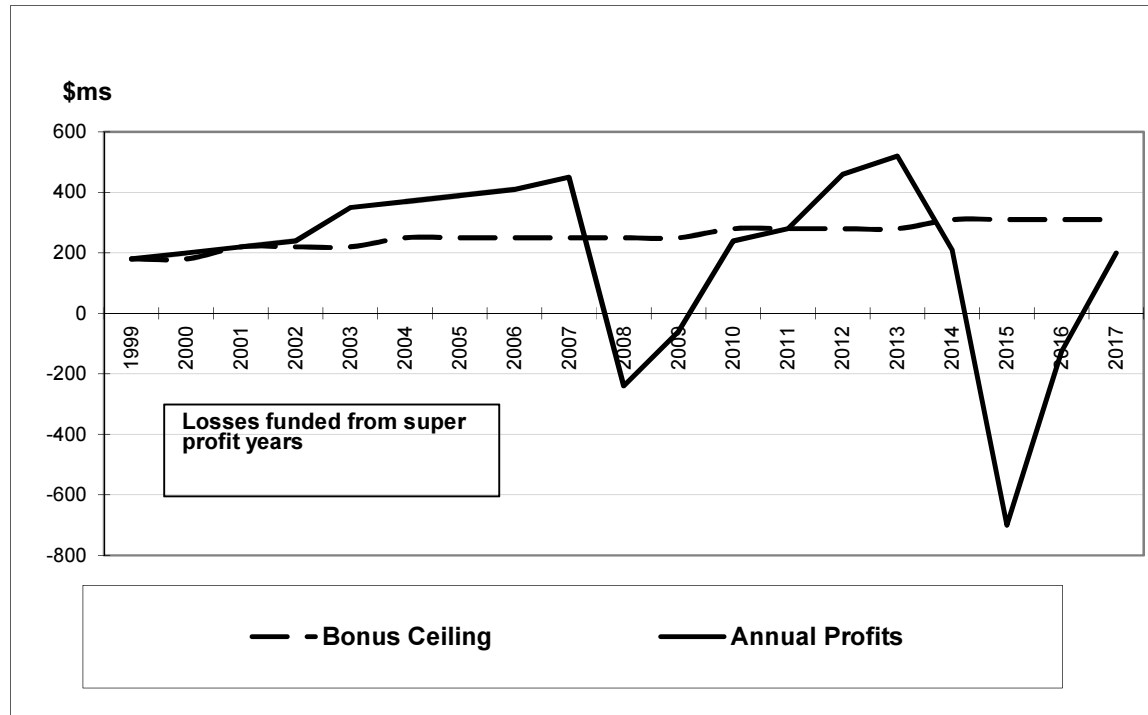
Key Task	Is it Covered
1. Is based on a relative measure rather than a fixed annual performance contract	
All fixed in advance, annual targets for bonuses are removed	<input type="checkbox"/> Yes <input type="checkbox"/> No
Relative measures are introduced to take account of:	
▪ Comparison against market share	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ Comparison against other peers	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ Changes in input costs (e.g. where base rate is zero banks)	<input type="checkbox"/> Yes <input type="checkbox"/> No
Progress against the relative measures are reported three or four times a year	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. Super profits should be retained for the loss making years lying ahead	
Super profit scenarios have been analysed	<input type="checkbox"/> Yes <input type="checkbox"/> No
Historic trends analysed to estimate when super profits are being made	<input type="checkbox"/> Yes <input type="checkbox"/> No
Drivers of super profits identified (e.g., the interest margin banks had in 2009 meant that even a fool would have made super profits)	<input type="checkbox"/> Yes <input type="checkbox"/> No
Super profits removed from net profit as a % of each \$m made rather than have a ceiling	<input type="checkbox"/> Yes <input type="checkbox"/> No
Model tested against last 10, 20 years retained profit/losses to ensure formula is right	<input type="checkbox"/> Yes <input type="checkbox"/> No

3. The profits in a bonus calculation should be free of all major 'profit enhancing' accounting adjustments	
<p>Eliminate all short term accounting adjustments including:</p> <ul style="list-style-type: none"> ▪ Recovery of written off debt ▪ Profit on sale of assets ▪ Recovery of goodwill 	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No
4. Taking into account the full cost of capital	
All departments which have a specific profit sharing scheme should have a 'cost of capital', which takes into account the full risks involved.	<input type="checkbox"/> Yes <input type="checkbox"/> No
5. Separate out 'at risk portion of salary' from bonus element	
Test the new system on previous years	<input type="checkbox"/> Yes <input type="checkbox"/> No
Human Resources to discuss the change on a one to one basis with all managers affected	<input type="checkbox"/> Yes <input type="checkbox"/> No
Prepare an example of the new scheme and publish in a secure area of the Human Resources team's intranet section	<input type="checkbox"/> Yes <input type="checkbox"/> No
6. Avoiding linkage to share price movements	
Removed all bonuses that are linked to share prices	<input type="checkbox"/> Yes <input type="checkbox"/> No
Removed all share options from remuneration	<input type="checkbox"/> Yes <input type="checkbox"/> No
7. Linked to a balanced performance	
Remove all KPIs from bonus schemes	<input type="checkbox"/> Yes <input type="checkbox"/> No
Evaluate progress against the success in the critical success factors	<input type="checkbox"/> Yes <input type="checkbox"/> No
8. Avoid having a deferral scheme for all unrealised gains	<input type="checkbox"/> Yes <input type="checkbox"/> No
9. All bonus schemes must be 'game' tested	<input type="checkbox"/> Yes <input type="checkbox"/> No
Rework bonuses paid to about five individuals over the last five years to see what would have been paid under the new scheme and compare against actual payments made	<input type="checkbox"/> Yes <input type="checkbox"/> No
Consult with some clever staff and ask them 'What actions would you undertake if this scheme was running?'	<input type="checkbox"/> Yes <input type="checkbox"/> No
Discuss with your peers, in other companies, better practices that work – this will help move the industry standard at the same time as avoiding implementing a scheme that failed elsewhere.	<input type="checkbox"/> Yes <input type="checkbox"/> No
10. Don't link KPIs with performance related pay	<input type="checkbox"/> Yes <input type="checkbox"/> No

Removed all KPIs from performance related pay	<input type="checkbox"/> Yes <input type="checkbox"/> No
Removed all KPIs from Job descriptions	<input type="checkbox"/> Yes <input type="checkbox"/> No
Removed all KPIs from annual performance agreements	<input type="checkbox"/> Yes <input type="checkbox"/> No
11. Communicating with staff using PR experts	<input type="checkbox"/> Yes <input type="checkbox"/> No
Sold changes via the emotional drivers	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have prepared presentations that are targeted specifically at:	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ The board	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ CEO	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ Senior management team	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ The staff on performance related pay schemes	<input type="checkbox"/> Yes <input type="checkbox"/> No
12. Road test the bonus scheme on last complete business cycle	<input type="checkbox"/> Yes <input type="checkbox"/> No

A Printable Version of the Templates Used in this Chapter

Retention of Super Profits



At Risk Component of Salary

	Remuneration		
	Mgr 1	Mgr 2	Mgr 3
Base salary, paid monthly	48,000	64,000	80,000
At risk portion (bonus is paid separately)	12,000	16,000	20,000
Salary package	60,000	80,000	100,000
Relative measure, set retrospectively	not met	met	exceeded
Percentage of at-risk salary paid	40%	100%	100%
At-risk salary paid	4,800	16,000	20,000
Share of bonus pool	nil	5,000	10,000
Total period end payout	4,800	21,000	30,000

Performance-Related Pay System that Will Never Work

Scorecard Perspective	Perspective Weighting	Performance Measure	Measure Weighting
Financial Results	60%	Economic value added	25%
		Unit's profitability	20%
		Market share growth	15%
Customer Focus	20%	Customer satisfaction survey	10%
		Dealer satisfaction survey	10%
Internal Process	10%	Ranking in external quality survey	5%
		Decrease in dealer delivery cycle time	5%
Innovation and Learning	10%	Employee suggestions implemented	5%
		Employee satisfaction survey	5%

How the Performance-Related Bonus Would Work Across Different Teams

	Operational Team	Public Relations Team	Maintenance Team	Finance Team	Team
Financial performance of team	30%	30%	30%	30%	—
Progress in the critical success factors (CSFs)					
Timely departure and arrival of planes	20%	0%	20%	0%	—
Timely maintenance of planes	10%	0%	30%	0%	—
Retention of key customers	10%	0%	0%	0%	—
Positive public perception of organization - being a preferred airline	10%	30%	0%	0%	—
"Stay, say, strive" engagement with staff	10%	20%	10%	20%	—
Encouraging innovation that matters	10%	20%	10%	20%	—
Accurate, timely information, which helps decisions	0%	0%	0%	30%	—
	100%	100%	100%	100%	—

Testing the Performance Scheme on Past Results

	Previous years (go back at least ten years)									Last year
	20__	20__	20__	20__	20__	20__	20__	20__	20__	
Annual profits (excluding all cost of capital charges)	(240)	(60)	290	310	460	520	210	(165)	(125)	200
Removal of profit enhancing adjustments			(20)		(30)	(20)				
Super profits (clawback) distribution					(60)	(120)		180		
Adjusted profit	(240)	(60)	270	310	370	380	210	15	(125)	170
Expected profit based on expected return on equity			190	220	240	240	170	0		160
Adjusted profits for bonus pool calculation	0	0	80	90	130	140	40	15	0	10
Size of bonus pool if share is 25%	0	0	20	23	33	35	10	4	0	3
Size of bonus pool if share is 33%	0	0	26	30	43	46	13	5	0	3

Chapter 21

Takeovers and Mergers

Takeover or Merger Scorecard

Key Task	Tick if covered
Has your company got the ability to turn away from a deal if it does not stack up?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you done an evaluation of the potential downside?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are all the following team players experienced in accurately assessing the full costs of the TOM and accurately estimating synergistic savings?	
Advising Brokers	<input type="checkbox"/> Yes <input type="checkbox"/> No
TOM advisors	<input type="checkbox"/> Yes <input type="checkbox"/> No
Board	<input type="checkbox"/> Yes <input type="checkbox"/> No

Executive	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have all other alternatives to the TOM been fully explored?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have safeguards been put in place to ensure that the benefits from this TOM accrue to shareholders, staff, local community as well as the executive ‘share option holders’?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Has your company got experience in doing a proper due diligence process?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Has your company enough time to do a proper due diligence process?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Has an impact assessment been undertaken on the organization if the TOM fails?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Has the company got enough cash reserves to ‘weather any eventual storm’ arising from the TOM?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you performed a culture audit - a TOM is like merging two families and many problems are overlooked in the frenzied courtship?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you locked-in a portion of your advisors’ fees to a successful realization of the proposed TOM benefits? - remember many of your advisors have never worked in an organization which has had a successful TOM.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you performed an assessment of asset fit - quality, condition and usage?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is your target company a ‘CAMEL’? - a company with adequate capital, good asset quality, good management, record of sound earnings growth and with good liquidity.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Has an assessment been done on the locked-in employment terms and conditions (especially relevant if acquiring an Australian company)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Has an evaluation been performed of the current pressure on the environment in which the organization is trading? (At the time you are the weakest, post-merger, the industry is likely to have a major crisis)	<input type="checkbox"/> Yes <input type="checkbox"/> No
Has an assessment been performed on the IT systems integration? - Few understand the implications of a TOM and the time-frames involved. The IT team may not have the skills to cope with the now larger environment.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Has the TOM been initiated through sound reasoning? (Many mergers based on a defensive or cost cutting strategy fail).	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you carefully selected the target? Or if you have been approached, have you really ascertained why they want to sell?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you checked the adequacy of provisioning for potential bad debts and under performing loans?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is the business tied to contractual conditions, which enable customers to pull out of profitable contracts? (a lesson that the Australian Bank NAB learned)	<input type="checkbox"/> Yes <input type="checkbox"/> No

Have you established an integration plan which would include the setting up of a 'council' which would oversee the key integration projects?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Current relationship between the companies is favourable (in other words have not been fierce rivals in the past).	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you have the resources to select the new management structure ASAP?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you got a contingency plan for the potential loss of key staff? - uncertainty and very generous severance clauses may force executives, who you want to keep, to activate the severance clause for fear of losing the generous terms.	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are you prepared to go through the potential pain of lower revenue as management and staff are diverted by the merger?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are you prepared to be made surplus to requirements when all the dust has settled and the bloodletting finished?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you set up a clear strategy for after the merger, including who is getting what job, thus avoiding the cancer of uncertainty?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you set up an in-house think-tank whose task is to speed up integration and to extract knowledge from the different parts of the joint company and use it in the new organization?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you ensured that the joint CEOs are able to work together until the designated word CEO leaves? Remember appearances count.	<input type="checkbox"/> Yes <input type="checkbox"/> No

Chapter 22

The Hidden Costs of Reorganizations and Downsizing

The Reorganization Checklist

Key Task	Tick if covered
1. Have you done an evaluation of the potential downside?	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. Have the senior managers got a convincing story to tell which will capture the minds and hearts of staff - without this staff become disillusioned very quickly and start turning away from the organization?	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. Are all the following team players experienced in accurately assessing the full costs of the reorganization?	
▪ The Board/Ministers' Office/Council	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ Senior management	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ Advisors you have used	<input type="checkbox"/> Yes <input type="checkbox"/> No
4. Have all other alternatives to the re-organization been fully explored?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5. Have you got a re-organization web page on the intranet site explaining the current status?	<input type="checkbox"/> Yes <input type="checkbox"/> No
6. For all those staff who have been identified as 'surplus to requirements', has a reality check been done to ascertain how many of them may be your company's oracles? (those people who have much company history, knowledge, and wisdom)	<input type="checkbox"/> Yes <input type="checkbox"/> No
7. Have reasonable estimates been made for the following consultancy fees?	
New organization logo, if necessary	<input type="checkbox"/> Yes <input type="checkbox"/> No
New letterhead and signage and stationary, if necessary	<input type="checkbox"/> Yes <input type="checkbox"/> No
Public relations and culture change advice	<input type="checkbox"/> Yes <input type="checkbox"/> No
Recruiting costs for new positions	<input type="checkbox"/> Yes <input type="checkbox"/> No
8. Have reasonable estimates been made for temporary staff, redundancy pay, and contractors?	<input type="checkbox"/> Yes <input type="checkbox"/> No
9. Have reasonable estimates been made for legal costs -- which can be significant if the change process isn't done well?	<input type="checkbox"/> Yes <input type="checkbox"/> No
10. Are you prepared to have key projects grind to a halt as staff lose interest, leave, or are diverted on re-organization exercises?	<input type="checkbox"/> Yes <input type="checkbox"/> No
11. Have you allowed for lower productivity in the next 18 months as the dust settles? (Think of the lost time due to most	<input type="checkbox"/> Yes <input type="checkbox"/> No

managers reapplying for their own positions, endless re-organization meetings, etc.)	
12. Have you held discussions with all key employees to ensure that the reorganization will not disenfranchise them?	<input type="checkbox"/> Yes <input type="checkbox"/> No
13. Have you scheduled in team building exercises, as the re-organization will have created some disharmony amongst managers as they jockey for position?	<input type="checkbox"/> Yes <input type="checkbox"/> No
14. Have all property related costs been fully accounted for? (Subletting surplus office accommodation takes much longer than the leasing agent would lead you to believe).	<input type="checkbox"/> Yes <input type="checkbox"/> No
15. Have you discussed the proposed re-organization with two or more of your contacts from other organizations who have completed a reorganization within the last two or so years?	<input type="checkbox"/> Yes <input type="checkbox"/> No
16. Have you created a checklist on all changed IT requirements?	<input type="checkbox"/> Yes <input type="checkbox"/> No
17. Have you organized any enticements for your staff members to help make them stay on? (They are going to be suffering in this re-organization).	<input type="checkbox"/> Yes <input type="checkbox"/> No
18. Have your organized training for all staff undertaking new roles?	<input type="checkbox"/> Yes <input type="checkbox"/> No
19. Have you updated the website for the new structure?	<input type="checkbox"/> Yes <input type="checkbox"/> No
20. Have you created press releases for publications and letters to stake holders, contractors, suppliers, and customers?	<input type="checkbox"/> Yes <input type="checkbox"/> No
21. Have you developed a training program to help managers during the recruitment process?	<input type="checkbox"/> Yes <input type="checkbox"/> No
22. Have you estimated the time and cost of unfair dismissal cases?	<input type="checkbox"/> Yes <input type="checkbox"/> No
23. Are you prepared to create havoc in some of your staff members' lives? (A re-organization is going to create a lot of destruction of staff family life as the immediate future may seem insecure.).	<input type="checkbox"/> Yes <input type="checkbox"/> No
24. Have you planned to have 'events' which will put some fun back in the workplace?	<input type="checkbox"/> Yes <input type="checkbox"/> No