

The Financial Controller and CFO's Toolkit

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CHAPTER ONE

Getting Your Finance Team Future Ready

OVERVIEW

Many finance teams are far from being future ready. They spend long, frustrated hours working with antiquated error-prone systems—and to make it worse, they follow procedures because they were carried out last month. This chapter will take a brief look at areas the finance team can focus on to become future ready. It also explores; how the lean movement affects modern accounting, the importance of Peter Drucker's abandonment, and why we should take Steve Jobs' advice and challenge the status quo.

This book outlines how finance teams can help their organizations by getting their team future ready. By *future ready*, I mean a finance team that is fast and light on its feet and able to react quickly to events as they unfold. A finance team that is nimble through utilizing world best practices, and is an advanced adopter of leading-edge technologies. Finally, a future-ready

CHAPTER TWO

2

Leading and Selling the Change

OVERVIEW

Far too many well-meaning initiatives fail because we have not understood the psychology behind getting change to work. This chapter explores the work of Steve Saffron and Dave Logan in *The Three Laws of Performance* and John Kotter's *Leading Change*. It covers the importance of Harry Mill's "self-persuasion", sets out an eight-stage process that will help you implement the practices in this book and offers guidance on delivering persuasive presentations.

Before we venture on to the process of implementation, we need first to address selling the change within our organization. Finance teams around the world have wanted to embrace lean practices but are weary because many initiatives both inside the finance team and in other teams fail far too often.

CHAPTER THREE

3

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

OVERVIEW

Although many large organizations have made massive inroads into fast and accurate month-end reporting the vast majority of finance teams around the world have month-end processes that are career limiting, to say the least.

This chapter explores the processes you can abandon, those you need to bring forward, and when the cutoffs should occur. All these changes can occur before your next month-end. Many of these practices are common sense, however common sense is not always evident.

Many large organizations have made massive inroads into fast and accurate month-end reporting. I say to them, “Celebrate your achievement”, but still read this chapter as you may be able to achieve a quicker month-end close. However, the vast majority of finance teams around the world have month-end processes that are career limiting.

CHAPTER FOUR

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Future-Ready Technologies**OVERVIEW**

Many finance teams have underinvested in twenty-first-century systems and relied too heavily on spreadsheets. Far too much time and money has been reinvested in upgrading the general ledger (G/L) and far too little on monthly reporting, forecasting, budgeting, accounts payable, drill-down and consolidation software. This chapter answers the questions “Which systems should I invest in?” and “How should I go about it?”.

Far too much money is reinvested in upgrading the general ledger (G/L). In a modern company, the G/L only does the basic task of holding the financial numbers for the year. Monthly reporting, latest forecast numbers, budget numbers, and even the drill-down facility available to budget holders often reside outside the G/L package, so why reinvest?

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CHAPTER FIVE

Reduce Accounts Payable Volumes by 60 Percent

OVERVIEW

The accounts payable team is the center of an accounting function, for without its smooth operation, the finance team can never move forward. This chapter explores the better practices adopted by leading-edge accounts payable teams.

Many large organizations have made massive inroads into accounts payable and, quite frankly, will find this chapter rather basic. To those I say simply, move to the next chapter. However, many finance teams are wedded to Charles Dickens processes and procedures. This chapter is an extract from my white paper “50 + Ways to Improve Your Accounts Payable Function.”¹

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CHAPTER SIX

Month-End Reporting Refinements

OVERVIEW

When the first month-end has been reengineered, there are some other changes that will make a substantial difference to how fast your month-end can be. This chapter explores the other changes that you need to make, Day 1 and virtual reporting case studies and why 4,4,5 week period reporting suits all organizations.

Once you have achieved a much faster month-end, you will have the time to implement some further refinements covered in this chapter. This chapter is an extract from my white paper “Rapid Reporting in Three Days or Less and Error Free.”¹

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CHAPTER SEVEN

Lean Reporting—Informatively and Error Free

OVERVIEW

Many management reports are merely memorandums of information. They arrive too late and are error prone and too detailed. This chapter explores the foundation stones to reporting; one-page formats that will make a difference. It also refers to the work of data visualization expert, Stephen Few, and the quality control steps you should take to make sure all your reports are error free.

Many management reports are not management tools; they are merely memorandums of information. They arrive too late, well after the horse has bolted, and contain errors due to quality assurance steps being undermined by late adjustments. They also contain far too much detail and are produced just because we did it last month. As management tools, management reports should encourage timely action

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CHAPTER EIGHT

Lean Board Reporting

OVERVIEW

Board reporting is an anti-lean process. Boards often complain about getting too much information too late while management often complains about the time that is tied up in the board reporting process. This chapter explores how to get the board to agree to briefer reports that are less frequent and are received electronically. It also covers the need to cost the process, how to circumvent the amount of rewriting that occurs, the mistakes to avoid with the finance board report, and what should be in a one-page board dashboard.

It must be one of the classic Catch-22 situations: Boards complain about getting too much information too late, and management complains that nearly 20 percent of its time is tied up in the board reporting process. The process of board reporting is anti-lean in many respects. This process needs to occur more efficiently and effectively for both the board and management.

CHAPTER NINE

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

OVERVIEW

Annual planning can be completed in two weeks provide we take a fresh look at the process. The only thing certain about annual planning is that it is wrong as soon as the ink has dried, so we need to get it wrong quicker. This chapter explores why annual planning needs to change radically. It discusses the foundation stones and better practices behind a lean annual planning cycle, and how to sell the change to management.

This sounds impossible, yet annual planning can be completed in two weeks. It takes good organization, plenty of abandonment and awareness that the annual planning process is not adding much value to the organization as the numbers are wrong as soon as the ink has dried. Annual planning is undermining an efficient allocation of resources, encouraging

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CHAPTER TEN

Lean and Smarter Work Methods

OVERVIEW

Around the world, teams are challenging old out of date work methods “other people’s thinking” as Steve Jobs called it, and replacing this thinking with twenty-first-century smarter work methods. This chapter covers; how to Post-it reengineer, scrum meetings, Kanban boards, lean management techniques, and Toyota’s 14 management principles. This chapter also explores some of the management lessons I have gathered on my journey to writing *The Leading-Edge Manager’s Guide to Success*.¹

In this chapter I have extracted some lean and smart work methods gathered from witnessing a number of amazing teams and my research of the writings of the great paradigm shifters (Drucker, Hope, Collins, Hamel, and Peters and Waterman).

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CHAPTER ELEVEN

Effective Leadership, Growing and Retaining Talent

OVERVIEW

Being good with numbers and systems is one thing, but far more important is growing, and retaining talent is a far greater challenge, and the impact is much more profound. This chapter explores why you have to start with fine tuning your leadership skills, and then focus on creating a more attractive work environment. This chapter also explores how the finance team can network better within the organization, and how the senior members of the finance team can market themselves with greater success. It also looks at presenting a more service-centered culture to the budget holders.

These lessons have been gathered on my research during the writing of *The Leading-Edge Manager's Guide to Success*.¹

“Why is it that when I actually find some talent, they never stick around?” a troubled CFO asks.

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CHAPTER TWELVE

Quick Annual Reporting: Within 15 Working Days Post Year-End

OVERVIEW

If you are not careful, your year-end accounts can take on a life of its own. Led by the auditors, who delay the audit to fit into their work schedule, giving them the luxury of hindsight. The delay encourages the accounting team to process adjustment after adjustment only to find the accounts have gone full circle with the year-end audited accounts within 5 percent of the starting numbers. This chapter covers the need for change, how to get the year-end organized, the technology to adopt, the steps to minimize the stress, and how to control all the data coming in from different sources.

The annual reporting activity is part of the three major lost opportunities for the finance team. Slow month-end reporting, long annual planning, and a never ending year-end suck the life out of far too many accounting teams.

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CHAPTER FOURTEEN

Attracting and Recruiting Talent

OVERVIEW

CFOs and financial controllers need to improve their ability to recruit in order to select talented staff. This chapter explores how to become a finance team of choice; the importance of a succinct advert, the value of staying the distance in the recruiting marathon and the importance of a successful induction.

In every workshop, I ask one question, “Who has made a recruiting decision they have lived to regret?” Every finance manager puts his or her hand up. The carnage caused is relived in their facial expressions. Why does this happen so often?

I suspect that many readers will recall instances when the interviewee has arrived and you realize, with a degree of horror, that you have not yet reviewed

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CHAPTER FIFTEEN

Lean Accounting

OVERVIEW

The lean movement gave the impetus for a new look at accounting called lean accounting, which had its beginnings around 2004. Lean accounting offers the accountant many profound insights. This chapter explores streamlining the chart of accounts, questions the validity of cost apportionment and activity-based costing, outlines value-stream accounting, demonstrates the danger of absorbing overhead and labor into closing WIP and finished goods, and revisits product costing.

The lean movement gave the impetus for a new look at accounting called lean accounting, which started around 2004. Lean accounting offers the accountant many profound insights and will improve the way we report costs. Lean accounting has progressed to such an extent that

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CHAPTER SIXTEEN

Implementing Quarterly Rolling Forecasting and Planning

OVERVIEW

With many organizations questioning the validity and usefulness of annual planning the search is on for an alternative. Quarterly rolling forecasting and planning appears to solve all the major issues. This chapter explores the foundations stones and the key implementation steps required for a rolling forecasting and planning process to work.

As mentioned in Chapter 9, the annual planning process takes too long, leads to dysfunctional behavior, builds silos, and is a major barrier to success. Organizations around the world are questioning the value of the traditional annual budgeting process.

This chapter is a summary of the content in my white paper “How to Implement Quarterly Rolling Forecasting and Quarterly Rolling Planning—And Get It Right First Time”¹

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CHAPTER SEVENTEEN

Finding Your Organization's Operational Critical Success Factors

OVERVIEW

Critical success factors (CSFs) are operational issues or aspects that need to be done well day-in, day-out by the staff in the organization. This chapter looks at the alignment between CSFs and strategy. It highlights the importance of CSFs, identifying that this is a missing link in management theory. It is based on the assumption that an organization has typically five to eight CSFs, and that CSFs should be the source of all-important performance measures—the winning KPIs.

Many organizations fail to achieve their potential because they lack clarity regarding the more important things to do. This lack of clarity means that often staff members will schedule their work based around their team's priorities rather than the priorities of the organization,

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CHAPTER EIGHTEEN

Getting Your KPIs to Work

OVERVIEW

Many companies are working with the wrong measures, many of which are incorrectly termed key performance indicators (KPIs). It is a myth to consider all performance measures to be KPIs. This chapter explores how the four types of performance measures differ with examples of each type. The seven characteristics of KPIs are defined. The confusion over whether measures are lead or lag indicators is addressed. The questions *How many measures should we have?* and *How many of each measure type?* are answered. The importance of timely measurement is also covered.

Performance measurement is failing organizations worldwide, whether they are multinationals, government departments, or not-for-profit agencies. Measures are often a random collection prepared with little expertise, signifying nothing. KPIs should be measures that link

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CHAPTER NINETEEN

Reporting Performance Measures

OVERVIEW

Reporting performance measures must be designed to accommodate the requirements of the different levels in the organization (board, senior management team, middle management, and the various teams). KPI reporting needs to be performed 24/7, daily or weekly, as appropriate to support timely decision making. Reporting other measures (result indicators and performance indicators) can happen less frequently. This chapter displays some better-practice formats that will help speed up this vital step.

There is a major problem with the reporting of performance measures. The report writers often do not understand enough about performance measures, report monthly, which is far too late for prompt action, and are often unaware of the science of data visualization.

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CHAPTER TWENTY

Performance Bonus Schemes

OVERVIEW

Performance bonus schemes can be seen as an annual entitlement, be very costly, create endless arguments and not lead to notable improved performance. This chapter explores the foundation stones CFOs and controllers must be aware of if they are involved in designing or fixing a bonus scheme. It was first published in my book *The Leading Edge Manager's Guide to Success*.¹

Performance bonus schemes have broken down across a wide range of organizations and they can be very costly without improving performance. This chapter is written for the CFO, or controller, who has been asked to design a performance bonus scheme based on better practice

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CHAPTER TWENTY-ONE

Takeovers and Mergers

OVERVIEW

The pursuit of growth through takeover or merger has made a small, select group very wealthy while diminishing the wealth of a vast number of shareholders. CFOs and controllers have a moral dilemma here and only they can decide what is appropriate. In many cases, the forces are huge to transact the takeover. This chapter explores why so many takeover and mergers, which have been based on perceived synergies and cost savings, fail, and if involved in one, why you need to move on before reality strikes.

It is often quoted, but even great leaders seem to forget, that “history has a habit of repeating itself.” Company executives, directors, and the major institutional investors (whose support is often a prerequisite) need to learn the lessons and think more carefully before they commit to a takeover or merger (TOM).

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CHAPTER TWENTY-TWO

The Hidden Costs of Reorganizations and Downsizing

OVERVIEW

Far too often, the CFO and controller have been silent when a reorganization is muted. If anyone is to talk sense to the board and senior management team, it has to be the CFO. This chapter will hopefully make the reader aware as to why they need to be very vocal and take steps to prevent these costly mistakes.

A major reorganization is as complex as putting in a new runway at Heathrow Airport while keeping the airport operational. The steps, the consultation, the dynamics, and so forth are as difficult. Then, how is it that we are unable to fully understand the ramifications and costs of a reorganization? Why do organizations appear to have an addiction to reorganizations? This chapter, while not a cure for the addiction, may help management be more aware of the symptoms so that advice can be sought.