Corporate accountants' top 20 mistakes: 15-11

Performance management thought leader David Parmenter completes his analysis of how to avoid the top 20 mistakes made by corporate accountants.

15: Taking months to do an annual plan

The annual planning process does not add value, but undermines efficient allocation of resources and encourages dysfunctional budget holder behaviour. It negates the value of monthly variance reporting and consumes huge amounts of time from the board, senior management team, budget holders, their assistants and the finance team.

Action:
The extermination of the annual plan was first written about by Jeremy Hope of 'beyond budgeting' fame. To test the hypothesis that organisations would thrive without an annual plan he searched for organisations that have never had the process. These organisations exist and are thriving.

To learn more read Jeremy's work 'Reinventing the CFO: how financial managers can transform their roles and add greater value.' To understand the changes required have a look at www.bettermanagement.com, where I have explained 'quarterly rolling planning' in a free web seminar. Also see my Insight articles on the topic.

14: Producing numbing monthly financial reports

Many management reports are not a management tool, but a memorandum of information. Many monthly reports - prepared by the finance team - include endless detail and are never read. I once saw a pack with 140 full pages.

Action:
Reduce the finance pack to fewer than ten pages. Eliminate the essay and simply have a small comment box by each statement.

Have one page to summarise the subsidiaries results and only include the large ones and any that are in trouble. Small subsidiaries that are performing well do not need to be included.

13: Reporting on the wrong performance measures

Many companies are working with the wrong measures, incorrectly termed key performance indicators (KPIs). My research suggests very few organisations monitor their true KPIs as few have explored what a KPI actually is.

There are four types of performance measures:

- key result indicators (KRIs) – give an overview on past performance and are ideal for the board. They communicate how management have performed in a critical success factor or balanced scorecard perspective
- performance indicators (PIs) – tell staff and management what to do
- result indicators (RIs) – tell staff what they have done
- key performance indicators (KPIs) – tell staff and management how to increase performance dramatically.

Action:

Effective KPIs are non financial measures which are measured frequently and acted upon by the CEO and senior management team. They should be understood by staff, owned by particular individuals or teams and have a significant and positive impact.

To understand performance measures better see a series of free web seminars and accompanying articles at www.bettermanagement.com. Also read Kaplan & Norton's book 'Translating strategy into action the balanced scorecard' and my KPI book 'Key performance indicators – developing implementing and using winning KPIs'.

12: Not producing daily/weekly decision based reports

I believe you have succeeded as a corporate accountant when your management team *know* whether the month is going well or badly during it. This enables the SMT to do something about it before the month ends.

Senior finance staff should insist that assistant accountant level staff be engaged with staff across the business at the workface. This is where you often find out the true story rather than the story for public consumption.

Action:
Corporate accountants should provide the following daily and weekly reporting:

- yesterday's sales reported by 9am the following day
- transactions with key customers reported on a weekly basis
- weekly reporting on 'late projects' and 'late reports'
- some weekly information on key direct costs
- reports on KPIs.

11: Selling change by logic

To sell successfully you need emotional drivers, not logic. Many initiatives driven from the finance team fail at this hurdle because we attempt to change the culture through selling by logic: writing reports and issuing commands via email. It does not work.

Action:
Radically alter the way you pitch a sale to the SMT and the board. Make sure you have a good proposal with a focus on the emotional drivers that matter to them.

Focus on selling to the thought leader of the SMT and board before presenting the proposal. This may involve arranging informal meetings, sending copies of appropriate articles and telling better practice stories to awaken interest.

All presentations should be road tested in front of the PR expert. PR strategy should address how to sell the change to staff, budget holders, the SMT and the board.

This article is an extract from a 110 page white paper that can be purchased from his website www.davidparmenter.com.