Chapter Appendices From

THE FINANCIAL CONTROLLER AND CFO's TOOLKIT

LEAN PRACTICES TO TRANSFORM YOUR FINANCE TEAM

THIRD EDITION

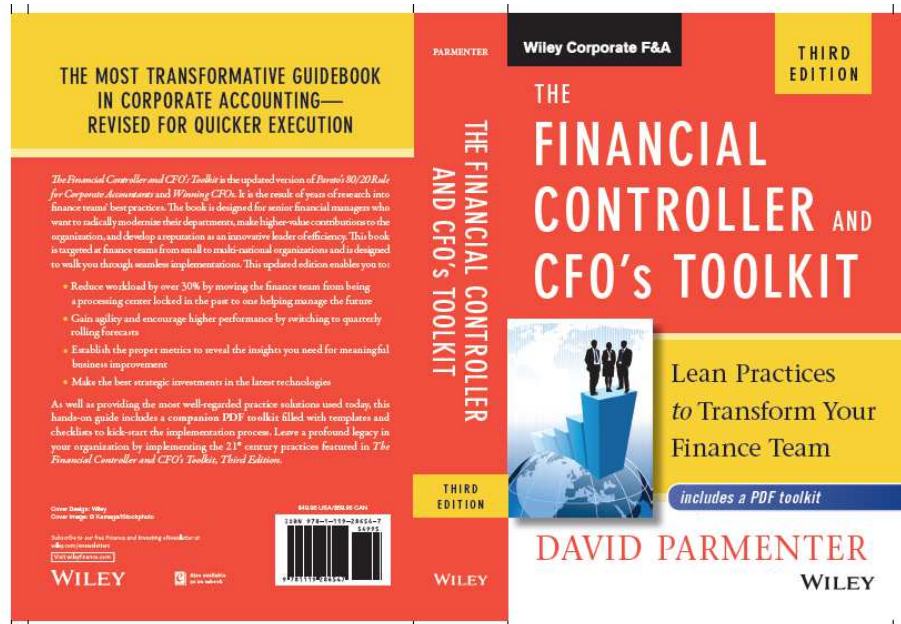## DAVID PARMENTER

WILEY

PDF toolkit to be read in conjunction with the 3rd edition of the book

Preface

This book is a third version, as it follows 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.

This PDF toolkit supports the book

The PDF toolkit is to be read and used in conjunction with THE FINANCIAL CONTROLLER AND CFO's TOOLKIT - Lean Practices to Transform Your Finance Team (Third Edition).

Exhibits, checklists, and workshop agendas are available as E-templates

E-templates of the exhibits, checklists, and workshop agendas can be purchased from www.davidparmenter.com

Chapter 1
Getting Your Finance Team Future Ready

A book to oOwn

Elizabeth Haas Edersheim's "The Definitive Drucker"

If you read a book review, I am sure you will buy it. I find these by searching title+book review+pdf

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 de-stabilize 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 and who has a pile of IOUs that they can use when favors are required. Staff will support the new initiative more readily when such an appointee leads it.

Recruitment is a life-and-death decision

Drucker talked about recruitment being a life-and-death decision. In other words, better to spend forty hours on 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. The potential recruit's values must be 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.

I met the owner of a private hospital. He had placed a person into the CEO position, knowing he had a questionable track record. 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 relying on the referees listed on the curriculum vitae.

Drucker liked things in threes. He recommended shortlisting three candidates to ensure you have a 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 fit 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 the 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.

Embrace 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 always to look forward and recognize that tomorrow's technology will likely overtake the cash cows of today. 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. 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, and 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 instruction to staff is 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 its 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 on 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 they run an operation with the existing staff, showing them the ropes. His executive teams have run the "Happy Road" employment center, a betting agency, an income support center, and a tourist information center. The importance of seeing the processes is akin to Toyota's "use visual controls so no problems are hidden".

The executive team, who are undertaking 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 is refreshed, 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 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 them 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 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 the 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

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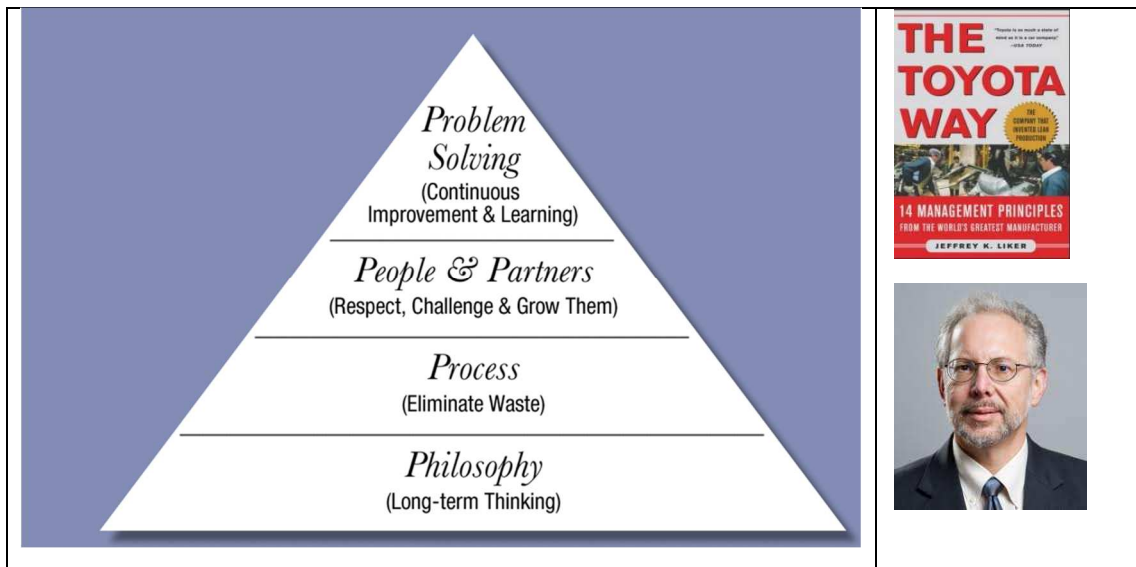
I believe that Toyota's 14 principles should be incorporated in all private, government, and non-profit agencies as best they can. They would make a profound impact on the organizations, benefitting the staff, management, board, and customers. The 14 principles are set out in Exhibit 2.

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 a 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 needs 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

The traditional view of long production runs	Manufacture according to customer demand

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 the process has finished, and ask what we can do better next month, next year.

This would lead us to reduce the number of internal transactions and spreadsheets and constantly review each process's timeline to eliminate waste and shorten timelines further.

Use visual control so no problems are hidden

Toyota is famous for its "Andon 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 they cannot fix. 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 our reports are so clear that all readers would understand the issues – I call it passing the 14-year-old test
- use some sort of "andon 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 board 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.
- Maximizing the use of the G/L, planning tool, and reporting tool by constantly improving the utilization of their key features.
- Streamlining certain processes to one national supplier, e.g., purchasing of stationery and travel requirements.
- Use only reliable, thoroughly tested technology that serves your people and processes.

Toyota is 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 that 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 that 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 upon, ready for action if required. The Finance team should take heed of this principle, especially with the following when:

- changing the general ledger
- purchasing a planning tool
- migrating 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 guess second 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 many things and only let the strong ideas survive. He points out that Motorola sees 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, and 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 gives their

staff 15% of discretionary time to play around with ideas. The "Post It" note was developed this way.

- **Have a ticking clock.** 3M ideology creates an environment where innovation is cut loose. 3M does not just throw a bunch of smart people in a pot and hope that something will happen. 3M lights a fire under the pot and stirs vigorously.

A Questionnaire to Assess How Future-Ready You Are

Area	Lean finance team benchmarks	Suggested scores	Score
Technology adopted	Have adopted the following technologies.		
	▪ Implemented a planning and forecasting tool	5= is operational	
	▪ 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 paper 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 being able to report net profit intra-month (virtual reporting) inside of three years.	5= Day 2 of 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 is less than10 pages, and we have daily and weekly reporting 3= Finance pack is 11-15 pages, and we have some daily and weekly reporting 1= Finance pack is 16-20 pages, and we have some daily and weekly reporting	
Year-end accounts	Commit the auditors, your finance team, your board, and	5= within 3 weeks of Y/E	

	executives to a 15-working-day signed set of annual accounts.	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 indicators (KPIs)	Work with no more than 10 KPIs in the organization. The other operational measures that are not key to operational performance should number less than 80 and be renamed (see the 10/80/10 rule in Chapter 18).	5= Have less than 10 KPIs that confirm to definition 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 toll 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 read

- The Three Laws of Performance by Steve Kaffron and Dave Logan
- Leading Change by John Kotter

I find these by searching title+book review+pdf

Selling KPIs into your organisation

Slide 7 — Our top five measures are thus

xxxxxxxxxx	Reviewed monthly	KRI
xxxxxxxxxx	Reviewed weekly	RI
xxxxxxxxxx	Reviewed daily	PI
xxxxxxxxxx	Reviewed daily	KPI
xxxxxxxxxx	Reviewed quarterly	KRI

7

Slide 8

8

Slide 9

The CSFs on the walls in every workplace

9

Slide 10 — Suggested next steps

- Selection of in-house KPI team
- Ascertain CSFs
- Have the CSFs on the wall of every work area
- Commence journey to ascertain the suite of measures
- Pilot with 2-3 core areas to test and prove the approach based on the difficulty we have measuring what we do and defining success

KEY PERFORMANCE INDICATORS

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Selling Quick Month-End Reporting

Slide 7

A rapid close will lead to:

- A great saving of time over the year
- An impetus to challenge the annual budgeting and forecasting process (webinar)
- More time to research, acquire and implement 21st century solutions
- More time with operations

Slide 8

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			

Effect of a quick month-end

Slide 9

Your time is limited, so don't waste it living someone else's life. Don't be trapped into living with the results of other people's thinking. Don't let the noise of other's opinions drown your own inner voice"

-Steve Jobs

THIS QUOTE SHOULD BE ON EVERY ROOM IN THE FINANCE AREA

Slide 10

A rapid month-end will change the allocation of time in the finance department for the better

40 %		40 %
Past		**Future**
	Present	
	20 %	

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 details. If we have not got a final number by the last working day, we will estimate or cut off the last day's 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:

    o no department is to raise accruals if the total accrual is less than _____

    o no one debit in an accrual listing can be for less than _____

    o 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 center numbers via online access to the G/L during the month. They 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 tend 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.

PDF toolkit to be read in conjunction with the 3rd edition of the book

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	fdgdfhsdfhsdfhfgg ergergqerry ertyge	45			
			Cr	fasd fasd as asdas d		45		
xxxxx	John	2	Dr	xxxx xxxx	10			
			Cr	xx x x xxxxxxxxx		10		
xxxxx	Jean	3	Dr	xxxx xxxx	25			
			Cr	xx x x xxxxxxxxx				25
xxxxx	Dave	4	Dr	xxxx xxxx		15		
			Cr	xx x x xxxxxxxxx			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 5 pm or noon on the last working day of the month /period.
- 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's 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 henceforth be removed from the procedures manual. I have discussed this with the auditors and they have agreed with the removal of supplier reconciliations.
  - The cost of performing the reconciliations is greater than the benefits of doing them.
  - We have invested the time and money in having good systems in-house to pick up liabilities as they arise.
- We will issue a flash result to the CEO by the 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 the report. This will eliminate all spelling and grammatical errors and make the report an easier read.

Exhibit 2: Checking for consistency
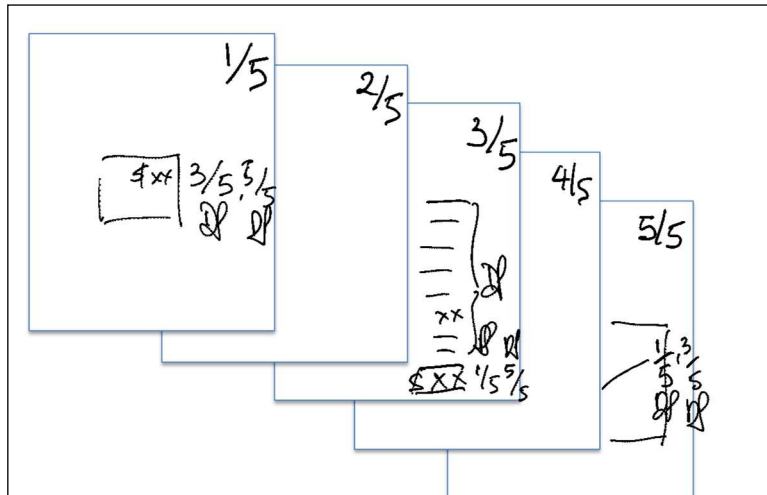
- Every month-end is to benefit from our innovative ideas. After every month-end we will hold a finance team meeting to discuss what went well during the month and month-end reporting process and then discuss what innovations we can adopt this month. This will be a working breakfast at _____, paid for out of the finance budget.

Month-End Reporting Checklist

There is a wide range of steps that can be taken to tackle 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
The C-suite is aware of the problem with a slow m/e	☐ Yes ☐ No
Buy-in obtained from the CEO and senior management team (the C-suite)	☐ Yes ☐ No
Have held a 'Post-Its' re-engineering workshop that all of the accounts team and representatives from other key departments have attended.	☐ Yes ☐ No
Adopted Scrum and Kanban agile techniques.	☐ Yes ☐ No
Mandate made by the C-suite that all service operations are to adhere to new deadlines issued by the reporting team.	☐ Yes ☐ No
Have established materiality levels, e.g., >$_____ for any debit entry in an accrual list, >$_____ for any accrual total from a department.	☐ Yes ☐ No
Manual journal entry line items reduced by over 50% (80% has been achieved).	☐ Yes ☐ No
Eliminated all interdepartmental corrections at m/e.	☐ Yes ☐ No
Eliminated management review of budget holder's numbers as budget holders now have the responsibility to resolve issues.	☐ Yes ☐ No
Estimates are used to avoid slowing down the m/e process.	☐ Yes ☐ No
Eliminated all spreadsheets over 100 rows from month-end routines.	☐ Yes ☐ 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.	☐ Yes ☐ 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.	☐ Yes ☐ No
Budget holders tracked activity throughout the month, eliminating the usual surprises found during the close process.	☐ Yes ☐ No
Allocations, if used, are now processed without seeing departmental spending.	☐ Yes ☐ No
Preparations for m/e close moved before period end instead of after.	☐ Yes ☐ 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).	☐ Yes ☐ No
Developed concise one-page reports.	☐ Yes ☐ No
All key systems upgraded to be on-line in real-time.	☐ Yes ☐ No
Removed duplicate data entry.	☐ Yes ☐ No
Ceased to perform reconciliations of suppliers' statements	☐ Yes ☐ No
Management accountants assigned to budget holders.	☐ Yes ☐ No
Closing-off capital projects one week before month-end.	☐ Yes ☐ No
Spring cleaning of the G/L kept well away from month end routines.	☐ Yes ☐ No
Issuing a flash report to the C-suite by the end of the first working day.	☐ Yes ☐ No
Final number and commentary ready by at least close of business Day Three.	☐ Yes ☐ No
Bring management meetings to the third working day after month end, effectively locking in the benefit.	☐ Yes ☐ No
Adopted a continual focus on process improvement, e.g., every month, some new change is implemented to improve processing by adopting Kaizen meetings.	☐ Yes ☐ No
Set up league tables, allowing natural competition between departments to reduce errors (nobody likes being at the bottom).	☐ Yes ☐ No
Set up listings of process breaches for the CEO to follow-up with errant budget holders.	☐ Yes ☐ No
Started counting errors, e.g., Motorola went from 10k errors for 700,000 transactions to 1000 per 2m transactions.	☐ Yes ☐ No
Using a consolidation tool rather than Excel	☐ Yes ☐ No
Map different subsidiaries' charts of accounts to a consolidated summary set in the consolidation tool (thus allowing subsidiaries to keep their accounting systems and chart of accounts)	☐ Yes ☐ No
Closing on the same day each month (4,4,5 reporting periods per quarter).	☐ Yes ☐ No

Pushing processing back from month end by avoiding having payment runs, inter-company adjustments, etc., at month-end.	☐ Yes ☐ No
Re-focus of 'variance from budget' reporting to 'variance from latest forecast' for the month.	☐ Yes ☐ 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).	☐ Yes ☐ No
Banned all late changes to the reports once the flash report has been sent to the CEO unless a material misstatement.	☐ Yes ☐ No
Performing a 'call-through' on the final report. One person reads the report out aloud to another person who is reading it silently. This will help find all grammatical and spelling errors.	☐ Yes ☐ No
Letting the financial report, written by the management accountant, go unaltered to the CEO and the Board.	☐ Yes ☐ 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
1. High processing at month-end	Pushing processing back from month end by avoiding having payment runs at month end. A 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 adjustments.
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.
5. Closing-off accounts receivables, especially handling the last day's 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 the last working day.
7. Last week's timesheets	For non-revenue generating time sheets ▪ get staff to complete by day -3 and include best guess for the remaining two days ▪ or use an estimate for last week

	For revenue-generating time sheets
	
	    ▪ timesheets from staff are required by 9 AM last working day
	    ▪ with the best guess for the day
	
	If any staff do not know what they are doing on the last day, maybe they should be working for your opposition!

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 the 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 from budget' reporting to 'variance from latest forecast' for the month. You remove the common responses 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.
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, the finance team will remove a task that is 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-Nuturients 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 as 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 $61 million 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.

Ballance has been moving from commodities "processing chemicals" to delivering the 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 land performance.

Ballance also has one of 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 during farm hours rather than during 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 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.

PDF toolkit to be read in conjunction with the 3rd edition of the book

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 the C-suite commitment outlining the purpose of the solution and benefits, both financial and non-financial
	2	Obtain approval for the capital expenditure request for preparation of blueprint for the RFP process.
Build in-house team capability	3	Network with key business players to: • 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 that needs to include the project sponsor and business owner for the solution. In busy times, they will need to meet fortnightly.
	4	Conduct workshops with the facilitator to scope business requirements; • 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. It needs to contain enough detail for a developer to build it.

Buying the right planning tool	6	Use the blueprint as the basis of an RFP process • Clearly lay out expected outcomes • Select recipients of RFP and outline the terms • Go through the selection process
	7	Organize a test of the best two PT applications. • Having been selected, the short-listed developers complete a specified section of the blueprint with their solution and give a demonstration. • Negotiate the pricing terms. • Close deal subject to Board approval • Obtain Board approval

Build and test model	8	Establish Project build team • Ensure dedicated business resources are appointed to the team • Conduct initial training to ensure familiarisation with the solution toolset • Ensure a project manager is appointed.
	9	Build a new model using in-house teams with external advice

		• Conduct daily status meetings with the two project managers (the in-house business project manager and the external developer's project manager) and business owner • Must have a dedicated work area separate from the business area • The 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
	10	Pilot planning tool on two business units • Carefully select pilot business units – they must be supportive of the solution and have been involved in the scoping phase • Change management has a significant role in this phase – communications and business solution • Use an in-house developer to support the pilot
Rollout use	11	Change Management is critical to the new rolling forecast process • No surprises – communications in advance emphasizing the why as well as the what • Outline the long-term requirements of forecasting, emphasizing the benefits to the users and the business
	12	Roll out training of PT (using in-house experts) • The training should be staged and conducted by business developers and possibly pilot users. • Ensure rollout is timed to coincide with the requirement to prepare a forecast so users gain ongoing practical use of the solution. • Ensure a 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 • Should be conducted one or two years after implementation by an independent third-party • The review should compare actual results to the business case – did the solution meet stated benefits, was it on time and budget, and what were the lessons learnt? • The review should be presented to the Board

Implementation of the planning tool

The blueprint design process was based on 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 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 Ballance 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 a skeleton for months 19-36 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 business owns the forecast, this does not mean Finance is sitting in the grandstand watching the process. Finance tested the process to ensure the right questions were being asked. They tested the "what ifs" and understood what the key result indicators were. 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 benefits of the model have been profound. The organization has:

- saved money through a better understanding of their 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 recover raw material cost fluctuations by managing margins fully
- the business now sees the planning tool as theirs and are active users

Five insights you could apply to a planning tool implementation

- With forecasting, the business focuses on a future view
- 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 is there to advise and ask the right questions.
- 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.
- 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 do you want to measure?
- 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	☐ Yes ☐ No
Have you invested in a planning and forecasting tool and migrated all forecasting and budgeting processes on to it?	☐ Yes ☐ No

Have you invested in your accounts payable systems,, e.g., scanning equipment, electronic ordering, and receipting?	☐ Yes ☐ No
Have you invested in a reporting tool and migrated all reporting on to it?	☐ Yes ☐ No
Have you invested in a drill-down front end if it is not already part of your GL?	☐ Yes ☐ No
Have you invested in a consolidation tool?	☐ Yes ☐ No
Have you invested in a collaboration disclosure management tool?	☐ Yes ☐ No
Have you invested in an electronic board paper tool?	☐ Yes ☐ No
Have you invested in your intranet and website so that customer statements and supplier remittances can be viewed by customers and suppliers, respectively, using password protection 24 /7?	☐ Yes ☐ No
Are you constantly training your budget holders on how to use the general ledger?	☐ Yes ☐ No
Have you delegated the responsibility of maintaining their part of the general ledger to budget holders?	☐ Yes ☐ 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?	☐ Yes ☐ 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"?	☐ Yes ☐ No
Have you organized a one-day focus group workshop on implementing a new accounting system?	☐ Yes ☐ No
Have you celebrated every small implementation success (the celebration alone is a great communication tool)?	☐ Yes ☐ No
Have you organized a day or so of public relations support to help sell why BHs should get behind the new system?	☐ Yes ☐ No
Have you sold the new G/L by the budget holders' emotional drivers? – (remember you do not sell by logic)	☐ Yes ☐ No
Have you applied the 1 percent rule for expense account codes (3 to 5 percent for revenue account codes)?	☐ Yes ☐ No
Have you run a focus group workshop?	☐ Yes ☐ No
Have you set up an "accounting systems newsletter" to cover the "gems" that are found from time to time in the system?	☐ Yes ☐ No
Have you resisted the temptation to customize the accounting system? – even one modification is one too many!	☐ Yes ☐ 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?	☐ Yes ☐ No

Chapter 5
Reduce Accounts Payable Volumes by 60 Percent

Some Purchase Card Instructions to Download

I searched "Purchase Card Instructions+pdf," and I found the following:

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?	☐ Yes ☐ No
Are accruals closed off before accounts payable closure?	☐ Yes ☐ No
Have you introduced the purchase card?	☐ Yes ☐ No
Have you integrated systems with the major suppliers so they can send electronic invoices with your GL codes on them?	☐ Yes ☐ No
Do you have a web based expense claim system that can be completed by staff no matter where they are in the world?	☐ Yes ☐ No
Have you requested all major suppliers to send a pdf of the invoice to accountspayable@_____.? Thus reducing the need to scan these invoices.	☐ Yes ☐ No
Have all cheque payments been eliminated? (mount the last one hung up on the CEO's office wall).	☐ Yes ☐ No
Are remittances loaded in a secure area of your website so that suppliers, by using their password, can download them?	☐ Yes ☐ No
Have you got an automated procurement system (electronic ordering) where your accounts payable transaction is only approved once?	☐ Yes ☐ No
Have you got budget holders approving exception invoices (where there is no order, no electronic receipt, or invoice details differ from the order) within 24 hours?	☐ Yes ☐ No
Have you introduced consignment stock where the supplier is responsible for constant replenishment, e.g., core stock items (they need online access to relevant stock records) and stationery?	☐ Yes ☐ No

Have you sourced national contracts for stationery, travel, and so forth?	☐ Yes ☐ No
Have you asked for consolidated invoices from suppliers, especially power, telecommunications, and stationery?	☐ Yes ☐ 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 27th May to 26th June and being received by 28th June?	☐ Yes ☐ No
Have you instructed major suppliers to request an order from your budget holders?	☐ Yes ☐ No
Do you return all the supplier invoices without a purchase order, asking them to attach the purchase order?	☐ Yes ☐ No
Are all large-volume small-dollar transactions going through the purchase cards, e.g., all under $2,000?	☐ Yes ☐ No
Do you perform frequent DC payment runs?	☐ Yes ☐ No
Do you use self-generated invoices (buyer-created invoices)?	☐ Yes ☐ No
Have you sent a welcome letter to all new budget holders and given them training?	☐ Yes ☐ 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.	☐ Yes ☐ No
Do you reward good budget-holder behavior?	☐ Yes ☐ No
Have you performed business re-engineering in accounts payable?	☐ Yes ☐ No
Have you considered using the supplier's taxation numbers for their account code?	☐ Yes ☐ No
Do you have an intranet site for the accounts payable manual, team photos, and success stories?	☐ Yes ☐ No
Do you perform simulation exercises when recruiting accounts payable staff?	☐ Yes ☐ No
Do you maintain account management within accounts payable, e.g., Pat looks after suppliers 'A' through to 'G'?	☐ Yes ☐ No

Chapter 6
Month-End Reporting

Read These Articles

These are some articles I found by searching "fast close+accounting+pdf."

A Virtual Close: Easy as One, Two, Three? By Jennifer Caplan

Cisco's Virtual Close By Larry Carter

Switching to a 4-4-5 General Ledger Calendar By Andrew Vitullo, CPA

Chapter 7
Lean Reporting – Informatively and Error-Free

Lean Reporting - Informatively and Error-Free Checklist

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

PDF toolkit to be read in conjunction with the 3rd edition of the book

An A3 One-Page Report for the CEO

Features: An A3 page summary report prepared by the finance team of a government agency for the CEO. The concept here is to give the CEO an A3 summary of the financial report which is easier to read than the full finance report.

You can also use the back for analysing the business units. For a retail operation I suggested they put their 200 retail shops in three league tables, the large, medium and small shops based on sales per square foot or employee, shading the top and bottom quartiles.

If designed right this A3 page will become the main report.

An A3 Page Dashboard for the Board

Dashboard for Board – March 20xx

(Charts: Div 3 Staff Satisfaction a Concern; Operating Exp (Excl Depn, Amort. and Int) to Revenue Ratio exceeding expectations; Return on Capital Employed Recovering; Steady Increase In Provision; NPBT Falling Just Short of Budget; Alarming Increase In Accidents; Rent In Arrears Under Control; Good Increase In New Housing Stock; Waiting Lists Rising)

Financial Performance for the X months ended XX XXX 20XX

All figures are $'000

	Actual	Budget	Variance[1]		Actual to Annual Budget %[2]
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 of Concern

Xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
- Xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
Xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
- Xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
Xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
- Xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
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Areas to Note

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Areas to Note

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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?	☐ Yes ☐ 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")?	☐ Yes ☐ No
Has the Board been approached to accept papers from the originator (e.g., the CFO signs the back page saying "I concur but not written by me")?	☐ Yes ☐ No
Are you using an electronic Board paper application?	☐ Yes ☐ No
Has the Board been approached to have more timely meetings which are closer to month-end?.	☐ Yes ☐ No
Has a review of the Board been performed with the Chairman to eradicate unnecessary papers?	☐ Yes ☐ No
Have you adopted the A3 page (US standard fanfold) Board dashboard?	☐ Yes ☐ No
Have you limited Board meetings to four to six times a year (monthly board meetings frequently end up as management meetings)?	☐ Yes ☐ 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 to140
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 analyze the annual planning pitfalls and to sell the concept of quarterly funding.	
1. Notify those who should attend.	☐ Yes ☐ No
2. CEO to send an email stating permission is to be sought from the CEO if not attending the workshop.	☐ Yes ☐ No
3. Organize an outside facilitator/presenter to talk about the better practice stories.	☐ Yes ☐ No
4. Lock in decisions on the following:	
▪ The annual plan is not to be broken down into twelve monthly targets.	☐ Yes ☐ 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.	☐ Yes ☐ No
▪ There is to be a 10 working day time frame for the annual plan, and there is a ban on travel or holidays during these two weeks.	☐ Yes ☐ No
▪ Each budget holder has one chance to discuss their annual plan with the Budget committee, and the decision from the meeting is final.	☐ Yes ☐ No
▪ There is no need to have a budget for every account code in the G/L.	☐ Yes ☐ No
▪ Each budget holder is only required to forecast 12 category headings (each category is a group of account codes).	☐ Yes ☐ No
▪ Each budget holder is only required to forecast a category heading that represents over 15% of total revenue or total costs, whichever is relevant.	☐ Yes ☐ No
Perform pre-work	
5. Automate as many expense categories as you can, e.g., where trend analysis is as good or better than a budget holder's estimate	☐ Yes ☐ No
6. Establish standard costings for travel and accommodation so budget holders can quickly work out their travel costs.	☐ Yes ☐ No
7. Download all payroll details so budget holders can quickly and accurately calculate their salaries and wages.	☐ Yes ☐ No
8. Issue timetable on the intranet	☐ Yes ☐ No
9. Obtain up-to-date demand forecasts from customers who contribute more than 5% of total revenue.	☐ Yes ☐ No
10. Set key assumptions and materiality levels.	☐ Yes ☐ No

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

33. Budget Committee members have confirmed their attendance.	☐ Yes	☐ No
34. The Budget Committee interviewed all relevant budget holders.	☐ Yes	☐ No
35. Adjust annual plans based on feedback from the Budget Committee.	☐ Yes	☐ No
36. The Budget Committee confirms the consolidated Annual plan.	☐ Yes	☐ No
Presentation of Annual Plan to budget holders		
37. Delivery of presentation of the final Annual plan numbers to budget holders	☐ Yes	☐ No
Review process - lessons learned		
38. Set up an intranet intranet-based feedback survey on the new Annual Plan process	☐ Yes	☐ No
39. Plan the next quarterly rolling planning forecast run	☐ Yes	☐ 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)	☐ Yes	☐ 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 is to have a different color Post-it Notes.

Requirements: event secretary, laptops 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 of the workshop.
8.40 A.M.	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: ▪ 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, the C-suite, finance team, and budget holders ▪ Better practice stories ▪ The 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 the C-suite in a forecasting process A wider audience would attend this session. After the questions and answers, these people would leave.
9.40 A.M.	Workshop 1: Analyzing the Current Pitfalls of _____'s **Forecasting.** Separate teams look at the key pitfalls and how they can be overcome.
10.15 A.M.	Morning break.
10.30 A.M.	**Workshop 2: Mechanics of Rolling Forecasting.** A workshop where separate teams look at the key components: ▪ Who should be involved in a bottom-up forecasting process ▪ Potential pitfalls ▪ Reporting needs ▪ When can it be implemented ▪ Training requirements ▪ 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, and blue-the C-suite activities during the forecast).
12.15 P.M.	Lunch at the venue.
12.45 P.M.	Feedback from workgroups on both workshops and an action plan is agreed upon. Document the deadline date and who is responsible. Individuals will be encouraged to take responsibility for implementing the steps.
1.15 P.M.	Workgroups are assigned to prepare a slide or two on a specified issue. They can also raise any issues they still have. The two individuals selected to summarise findings are allowed to roam around the group discussions.
1.45 P.M.	Each work group presents their slide(s), and a discussion is held as to what to accept or delete.
2.30 P.M.	A selected team of two people is 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. Suggested audience: all those who attended the setting the scene at the morning session
3.00 P.M.	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 by bringing in consultants to map the existing procedures. This is a futile exercise as why spend money documenting a process you are about to alter radically? When it is done only the consultants will understand the resulting data-flow diagrams!

Set out in Exhibit 1 are the instructions to run a post-it re-engineering workshop.

Exhibit 1: 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 is to list all their processes on 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 four to five-meter distance.
>
> > Weeks 4 to 5
> >
> > Finalise Sales Forecast
>
> - One procedure/process per Post-it (please note, every Excel is a process)
>
> - State when it is done—the time scale is week 1, commence planning, week 13 or so finalize 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 sticker, such as:

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 whiteboard.

When all the Post-its are on the board, see Exhibit 2, ask three questions: What is still missing from the list? What processes have been duplicated? Finally, what processes do we not need to do anymore?

PDF toolkit to be read in conjunction with the 3rd edition of the book

Exhibit 2: Post-it re-engineering on a whiteboard (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.

PDF toolkit to be read in conjunction with the 3rd edition of the book

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, desktop for every seven attendees, data show, two whiteboards	

8.30am	Welcome by CEO and why this is a non-negotiable.
8.40	**Setting the scene**- topics covered include: • 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 the focus group has vetted • proposed 2-week process • the setting of monthly targets quarterly The senior management team may wish to leave after this session.
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

Books to Read

Elizabeth Haas Edersheim's "The Definitive Drucker"

Jack Welch with Suzy Welch, "Winning"

Jeffery Liker, "The Toyota Way"

You can access a book review if you use this search: "book title+book review+pdf."

Re-Engineering Instructions for the Annual Planning Process

See chapter 9

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 by bringing in consultants to map the existing procedures. This is a futile exercise as why spend money documenting a process you are about to alter radically 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 1 for an outline of the workshop.

Exhibit 1 Outline of Workshop on Implementing Quick Annual Reporting Within Existing System Constraints

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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.

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	**Setting the scene** - a review of better practices among accounting teams that are delivering swift annual reporting. Topics covered include: • the better practices around 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 Senior management, PR experts involved in the annual report, a 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."
9.50	Agreement on the current key bottlenecks of year-end reporting presented by the Financial Controller • 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 • we need to work within existing systems • the goal is to have 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
NOON.	**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	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. Those senior management team and budget holders who attended the first session will be invited to attend this session.
2.30	Wrap-up of workshop by the 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 2.

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 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 is to list all their processes on 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 meters.

'Post-It' Stickers

	Day **-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 'post-it' sticker, see Exhibit 3.

Exhibit 3: 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 with an introduction to best practices. 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 whiteboard. When all the post-its are on the board, it will look like Exhibit 4.

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 agree 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 5.

Exhibit 4: Post-it re-engineering on a whiteboard

PDF toolkit to be read in conjunction with the 3rd edition of the book
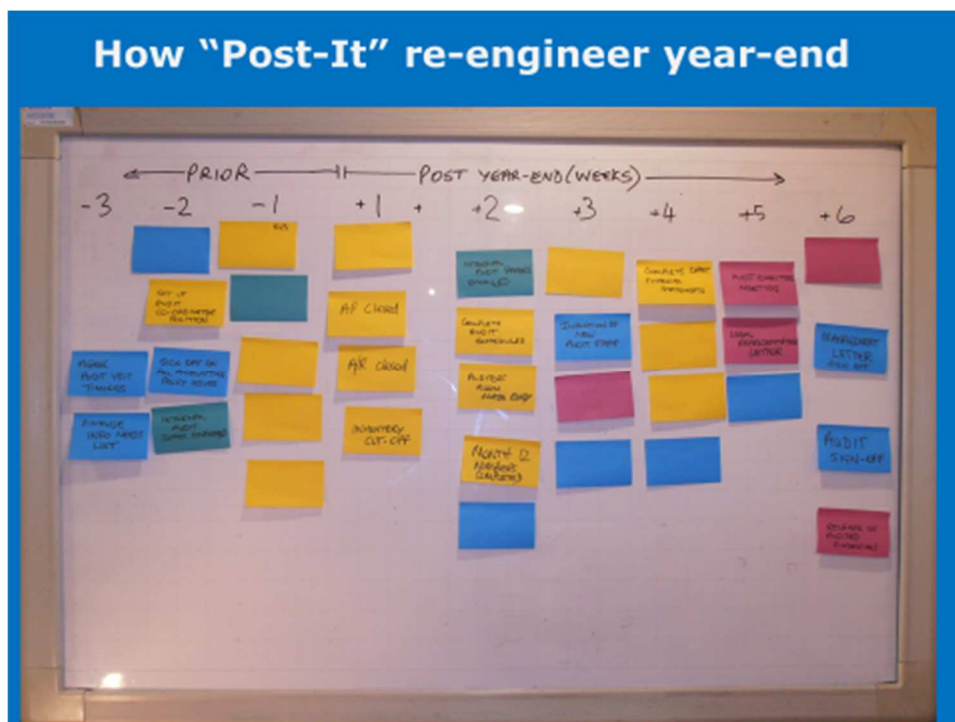
Stage 5 Abandonment

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 5: Abandoning processes by removing the 'Post-It' stickers
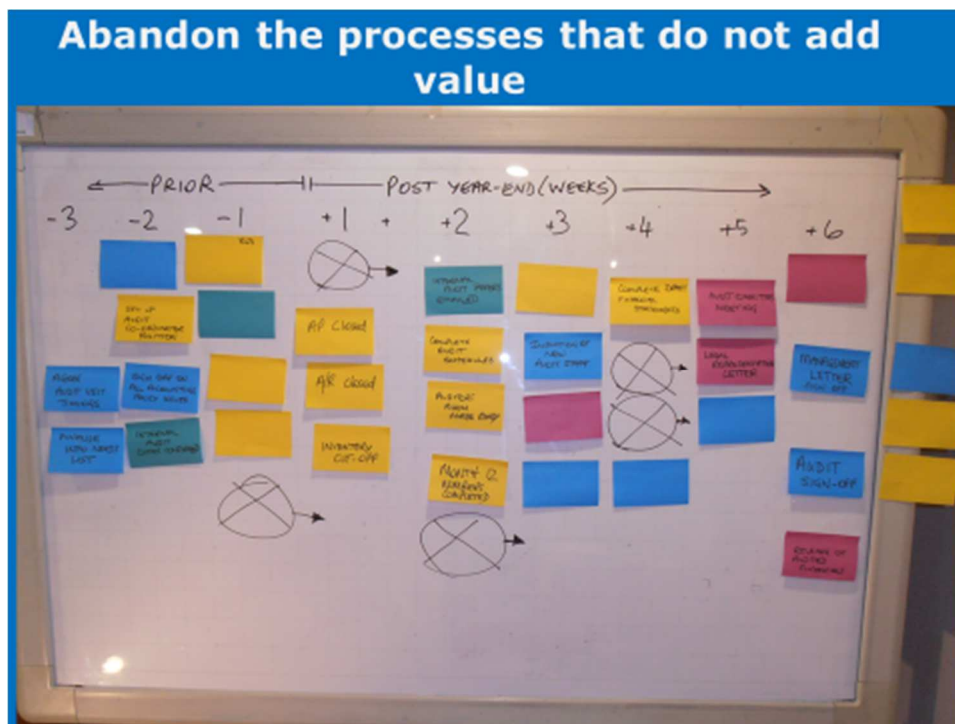
I recommend that you buy a dozen movie vouchers before the workshop so you can give one to every attendee who points out a process that can be removed as it is not necessary (the process was done

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 5.

Stage 6 Rescheduling the activities so they happen earlier

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 6.

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

Exhibit 6: Moving the bottlenecks to the earliest time they can be completed

Stage 7 Spreading the load in the key period

Look at 'week-1' and '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?	☐ Yes ☐ No
Do you limit the number of meetings you have in the mornings (your prime service delivery time)?	☐ Yes ☐ No
Are you using "Action Meeting" methods?	☐ Yes ☐ No
Have you stopped opening your emails first thing in the morning?	☐ Yes ☐ No
Do you talk about innovation each day?	☐ Yes ☐ No
Do you have a team mission statement (e.g., "To be awesome at what we do)?"	☐ Yes ☐ No
Are your team training sessions systematic and organized?	☐ Yes ☐ No
Do you resolve conflict between team members effectively and efficiently?	☐ Yes ☐ No
Have you invested enough in the induction process for new staff joining the finance team?	☐ Yes ☐ No
Have you created a service ethic in the accounting team culture?	☐ Yes ☐ No
Do you have fun activities in the workplace?	☐ Yes ☐ 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?	☐ Yes ☐ No
Are you constantly training your budget holders on how to use the G/L?	☐ Yes ☐ No
Have you delegated the responsibility of maintaining their part of the G/L to budget holders?	☐ Yes ☐ No
Have you brought back the GL consultants for, say, half a day to see where you can better use your GL's inbuilt features?	☐ Yes ☐ No
Marketing the accounting team	
Do you have an accounting function Intranet page?	☐ Yes ☐ No
Is the accounting function Intranet page updated at least every two weeks?	☐ Yes ☐ No
Do Management Accountants, accounts payable, property, office services, CFO and so forth go on walkabouts to internal stakeholders?	☐ Yes ☐ No
Do you attend corporate function launches, etc?	☐ Yes ☐ No
Do you contribute to your organization's newsletter/intranet?	☐ Yes ☐ No
Are you adding value to the C-suite (surprising them, giving them success stories)?	☐ Yes ☐ No

Do you hold "Cuppa for a cause" events (e.g., the finance team holding a morning tea at their workspace with guests giving a gold coin donation to a specified charity)?	☐ Yes ☐ No
Client management	
Have you carried out an in-house customer satisfaction survey on the finance team?	☐ Yes ☐ 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)?	☐ Yes ☐ No
Do the direct reports have a one-to-one meeting with you at the same time each month (e.g., Pat at 2pm the first Tuesday)?	☐ Yes ☐ No
Have you adopted the better practice recruiting techniques?	☐ Yes ☐ No
Are you recognizing staff performance enough?	☐ Yes ☐ No
Do you have a finance team balanced scorecard?	☐ Yes ☐ No
Does your team meet 'out of office' at social events?	☐ Yes ☐ No
Do you spend less than 20% of the working week in meetings?	☐ Yes ☐ No
Do you hold in-house tailored courses for the finance team (a good benchmark is 3 days per year)?	☐ Yes ☐ No
Do all your direct reports have a mentor?	☐ Yes ☐ No
Do you have a mentor?	☐ Yes ☐ No
Have you had any leadership training?	☐ Yes ☐ No
Have you included trend information (rolling 12- or 24- month graphs) and KPIs in the reporting on Business units?	☐ Yes ☐ No
Have you provided training sessions for staff (e.g., accruals, G/L)?	☐ Yes ☐ No
Do you introduce a new cost-saving initiative each month?	☐ Yes ☐ No
Do you help business unit managers with their new re-forecast?	☐ Yes ☐ No
Do you help business unit managers with their projects?	☐ Yes ☐ No

Chapter 11
Effective Leadership, Growing and Retaining Talent

Some Leadership Books to Read

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 C-suite. Topics covered include: • importance of the finance team • future direction of _____ • areas where the C-suite are keen to see improvements

		• where the accounting team can score more goals for the C-suite
9.00		Presentation by an external party on a new methodology or tool. Topics covered could include: • 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) • other better practices taken from this book etc
10.15		Morning tea.
10.30		**Workshop 1** How to implement changes to increase values to the C-suite and in-house customers (utilizing findings from survey and talk from a member of the C-suite)
11.00		Workshop 2 How to implement _____ better practice
12.15pm		Lunch at the venue.
1 pm		Wrap up of workshop.

Locking in Good Leadership Habits – a 13 Week Program

	1	2	3	4	5	6	7	8	9	10	11	12	13
Have you enrolled in any sessions that will help you understand your own personal baggage? (be concerned if four weeks draw a blank)													
Have you demonstrated that you "love thy neighbor as thyself" this week?													
▪ Respecting your colleagues' and your team members' time													
▪ Not setting demanding goals when they are unnecessary													
▪ Appropriate assistance to poor performers													
▪ Conducting your working relationships effectively with all colleagues													
Have you been a good host to guests, work colleagues and third parties this week?													

Have you undertaken actions this week that clearly demonstrate the values the organization has?													
Have you done a few walkabouts this week? (target daily when in the company of staff)													
Have you performed tasks this week to improve public perception of you and your organization? (speaking engagement, press release, participated on committee activities in a professional body or charity, etc.) -target at least one to two actions a month.													
Have you found out about a staff member's life, needs, and ambitions this week? (target one staff member a week)													
Have you demonstrated, by an action/deed, your concern over the welfare of your staff this week?													
Have you met with your mentor this week? (target at least every two weeks during a behavior change process)													
Have you spent time this week on your 'safe haven' (house, family, hobby, etc)?													
Have you been calm in any crisis that has occurred this week?													
Have you abandoned any activity this week? (you should aim for at least one abandonment a month)													
Have you prepared for your next recruitment interview?													
Have you been active in the recruitment process of staff? (regular activity during the recruitment phase)													
Have you been conveying "positive energy" and optimism this week?													
Have you shown your humorous side to staff this week?													
Have you personally orchestrated a celebration this week?													
Have you met with a key contact this week?													
Have you practiced this week any new understanding of psychology? (e.g., in the way you act with your staff)													
Have you had a one-to-one with a staff member this week to personalize communication?													
Have you made an effort to keep close to staff or peers who are creating some conflict for you? (remember Shackleton believed in keeping trouble close to him)													

Have you been involved in some 'future gazing' this week to ensure you have thought of options if circumstances change?													
Have you spent enough time planning and provisioning for future requirements this week?													
Have you approved an innovation to be implemented this week? (target is 10 a year per staff member)													
Have you celebrated a successful innovation this week? (be concerned if the last 4 weeks are blank)													
Have you undertaken any leadership learning this week? (be concerned if the last four weeks are blank)													
Have you read a management article or a chapter in a ground-breaking book this week?													
Did you finish a project this week?													
Have you planned to complete an outstanding/late project next week?													
Have you provided a service to a staff member this week?													
Have you thanked someone this week?													
Have you planned next week to include time spent on matters that are connected to the organizations' critical success factors and strategy?													
Have you had a one-to-one with all of your direct reports this week?													
Have you supported your second-in-command this week?													
Have you ensured that difficult and complex assignments have a few experienced team members on the team?													
Have you promoted any health initiatives for your team this week? (target at least one per month)													
Have you invested time in developing your staff this week? (target one person a week whose training will be influenced positively by what you have actioned)													
Have you taken measures to reduce the 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? (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 their capabilities and personality?											
Have you demonstrated that you put your team's welfare ahead of results?											
Have you created a learning opportunity for yourself this week? (be concerned if you have not been for over four weeks)											
Have you introduced the book *Shackleton's Way* 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's work, the more I realize 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 harbor master's course. Yes, you can do it. Yes, you may arrive safely, but you have put everybody at risk.

Peter Drucker's wisdom
The difference between management and leadership. Management is ensuring that staff are doing <u>things right</u> and leadership is ensuring that staff are <u>doing the right thing.</u> He talked about the need for more orchestration-based leadership.
Recruitment is a life-and-death decision. Drucker emphasizes 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 always to look forward and recognize that the cash cows of today will be overtaken by technology.

PDF toolkit to be read in conjunction with the 3rd edition of the book

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 is 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 on your business. See the operation from your customers' perspective. Especially your important customers' perspectives.
Collaborate 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 to executives to grow their knowledge and experiences constantly. He was a supporter of having a second passion, outside work, as he recognized the self–renewal benefits of such a work-life balance.
Have three test sites. Drucker pointed out that to do one test site was never enough.
Execution first and always. Drucker, like all the other writers, did not follow the model of planning in such detail that the 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 Collins' wisdom

Jim Collins' 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
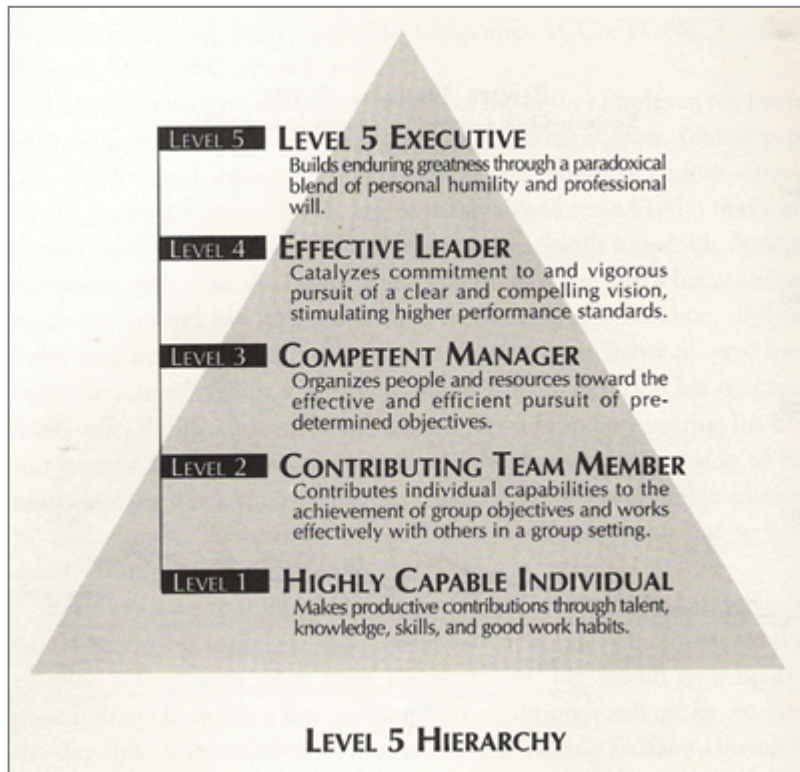
Getting the right people on the bus., An organization needs to place more emphasis on recruiting. Managers who have a record of failure should be retrained or relieved of recruiting duties.

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

Exhibit 2: Jim Collins hedgehog concept
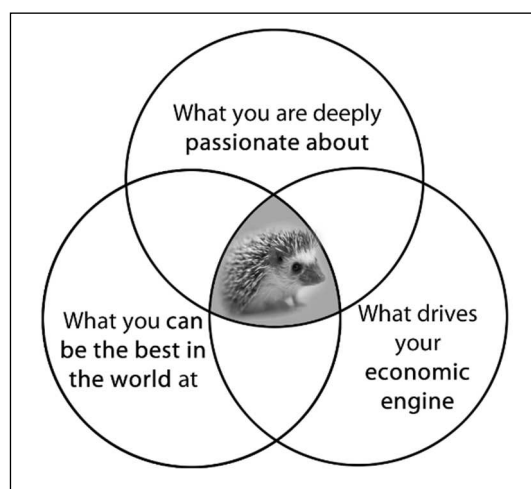
Staying focused on the flywheel. Collins points out the importance of staying focused on your core activities, and with constant attention and effort, the large flywheel will gather momentum and start spinning freely without much effort, see Exhibit 3. Read Chapter 8 of his book "*Good to Great*".

Exhibit 3: Jim Collin's flywheel
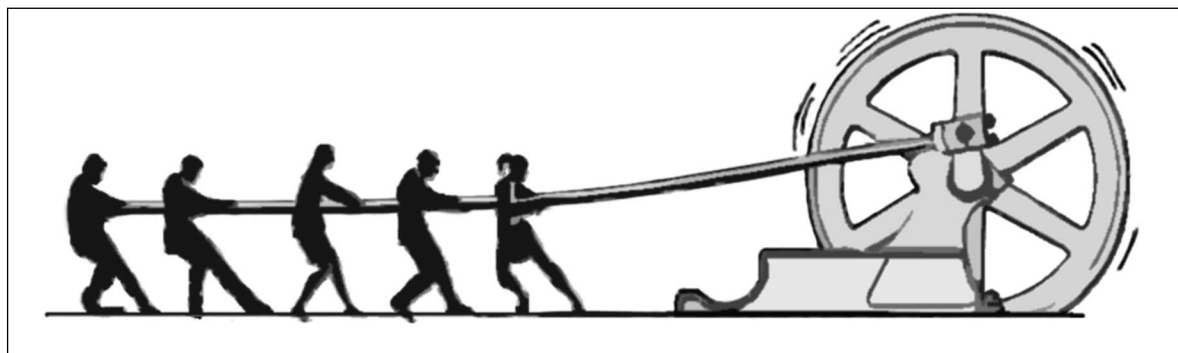
Big hairy, audacious goals (BHAGs). Jim Collins and Jack Welch are at one here. They say incremental improvement will never stretch your thinking. With BHAGs, we are asking what we would need to do to achieve this BHAG. It is not saying that if we do not, we will be unsuccessful or that your bonus will 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 how will they affect you above or below the waterline if they go wrong. The 'below the waterline' will obviously sink the organization.

Grasping for salvation by recruiting a CEO to save the organization. Collins points out that bringing in an outsider CEO to be the savior fails more than it succeeds. As Welch observes, bringing in a CEO from outside is a sure sign that your organization failed to nurture protégés. In the public sector, it is even worse. It is common for excellent protégés to be deliberately overlooked in order to bring in a CEO from outside.

It is thus important for public sector organizations to revisit their values and to include a statement that indicates they should develop their leaders in-house.

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

Jack Welch's Leadership Lessons

Straight-talking Jack Welch and his book "Winning" co-written with Suzy Welch, is a must-read. Peter Drucker profoundly influenced Jack Welch, 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
Candor. Welch has reinvigorated this word and placed it in front of management. He said, "It is a leader's obligation to tell their staff in a candid way how they are doing and how they can improve performance." 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 that are a good fit for their strengths, assist the next 70% to meet their potential better and make it clear to the bottom 10% that their future lies elsewhere. Good communication will see these staff moving on to better-suited pastures for themselves where they have a chance to be a high-performing 20%-er. 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. Thus, not compromising your chances."
Have 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. 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.
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 C-suite 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 take more risks with innovative ideas.
Recognition and celebration. Welch says great leaders celebrate more. As he points out, "Work is too much a part of life not to recognize moments of achievement." 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 based on his five stages of crisis.   1. **The crisis will be worse than it first appears.**   2. **The bad news will come out sometime in the future, so we may as well face the music now.**   3. **The situation will be portrayed in the worst possible light by 'The Press.'**   4. **There will be carnage**   5. **Our organization (GE) will 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 rethink the route plan totally. New ways had to be found to succeed, and so often, this was achieved.
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
Importance of chaos rather than unnecessary order. Throughout the first three chapters of "In Pursuit of Excellence", the importance of allowing overlap, internal competition, and impromptu contact, while minimizing head office "command and control" was highlighted through the case studies quoted.
A bias for action. 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.
Close to the customer. Being close to the customer not only helps with customer retention, it is also the major source of innovation. Peters and Waterman found compelling evidence that customers are the main source of innovative ideas.
Autonomy and entrepreneurship. As Peters and Waterman observed that radical decentralization and autonomy, with its attendant overlap, messiness, lack of coordination, and internal competition, were necessary in order to breed the entrepreneurial spirit and champions required to take risks in developing new ideas. They also noted that in the study's successful companies, the following was evident: ▪ Intense communication   ▪ Tolerating failure   ▪ Promote legends   ▪ Absence of overplanning and paperwork
Productivity through people. They also noted that in the study's successful companies, the following was evident: ▪ Unabashed hoopla   ▪ Internal competition   ▪ Family atmosphere   ▪ Available information   ▪ Trust   ▪ Keeping units small, fast, and flexible
Stick to the knitting. "Never acquire a business you do not know how to run."
Simply form with a lean staff. They also noted that in the study's successful companies, the following was evident: ▪ Avoiding the trap of economies of scale – they seldom eventuate

> - Constantly hiving off into new divisions as units grow (150 to 170 appears to be the magic size)
> - 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 some time, 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 and too little community. Hamel points out that 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 is 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.
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 choose 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 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 details. 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:

    o   no department is to raise a year-end accrual if the total accrual is less than _____

    o   no debit in an accrual exercise can be for less than _____

    o   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 online 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 on 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

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Source	Raised by			Adjustment	P/L impact		B/S impact	
					Dr	Cr	Dr	Cr
xxxxx	Pat	1	Dr	fdgdfhsdfhsdfhfgg ergergqerry ertyqe	45			
			Cr	fasd fasd as asdas d		45		
xxxxx	John	2	Dr	xxxx xxxx	10			
			Cr	xx x x xxxxxxxxx		10		
xxxxx	Jean	3	Dr	xxxx xxxx	25			
			Cr	xx x x xxxxxxxxx				25
xxxxx	Dave	4	Dr	xxxx xxxx		15		
			Cr	xx x x xxxxxxxxx			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 5 pm last working day or by noon last working day.
- We will not reconcile year-end suppliers' statements because:
  o Supplier accounting systems are often flawed and unreliable.
  o Missing invoices will be picked up through supplier phone calls
  o 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.
  o The costs of performing the reconciliations are greater than the benefits of doing them.
  o 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 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:
  o 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.
  o A two-person read-through where one staff member reads aloud the report while another staff member follows the words on the 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. Preparation of agenda: it should include the following	
a. Status of prior year significant audit findings	☐ Yes ☐ No
b. Unresolved internal control and accounting issues	☐ Yes ☐ No
c. Draft milestones should be discussed, and agreement reached	☐ Yes ☐ No
d. Content of this checklist	☐ Yes ☐ No
e. Proposed deadlines	☐ Yes ☐ No
f. Discussions of New Standards and Policy	☐ Yes ☐ No
g. Procedures to alert each other to any potential issues or known obstacles that could affect the audit opinion	☐ Yes ☐ No
h. Role of internal audit team, their plan work, documentation, and degree of reliance that can be placed on their work	☐ Yes ☐ No
i. "Information Needs" list	☐ Yes ☐ No
2. Schedule out your desired dates for the following:	
a. Commencement and completion of interim audit fieldwork	☐ Yes ☐ No
b. Scheduled progress meetings	☐ Yes ☐ No

c. Pre-year-end meeting to address accounting issues with action plans and deadlines (where possible)	☐ Yes	☐ No
d. Completion of draft financial statements	☐ Yes	☐ No
e. Commencement and completion of final audit fieldwork	☐ Yes	☐ No
f. Exit conference meeting	☐ Yes	☐ No
g. Audit Committee meeting	☐ Yes	☐ No
h. Release of audited financial statements	☐ Yes	☐ No
3. Ensure headquarters and field representatives attend this meeting with the auditors	☐ Yes	☐ No
Between planning meeting and first visit		
Formal agreement to deadlines in writing by CFO and auditors	☐ Yes	☐ No
Information needs list		
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	☐ Yes	☐ No
2. Itemize schedules and working papers for each financial statement component along with the scheduled completion date	☐ Yes	☐ No
3. Schedule and working paper formats should be determined and agreed upon by both yourself and the auditor	☐ Yes	☐ No
4. All schedules that would take longer than two hours to prepare should be discussed with auditors to ensure the investment is worthwhile	☐ Yes	☐ 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 should be communicated to the auditor	☐ Yes	☐ No
Role of internal audit team		
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	☐ Yes	☐ No
Update documentation of internal controls		
1. Documenting the systems of internal controls	☐ Yes	☐ No
2. Significant changes in specific internal controls are discussed with the auditor	☐ Yes	☐ No
3. All work carried out by internal audit team should be documented	☐ Yes	☐ No
Communication with staff		
1. Designate an audit coordinator	☐ Yes	☐ No

2.	Designate a contact point in every function	☐ Yes ☐ No
3.	Staff and the audit staff should be made aware of who is the audit coordinator	☐ Yes ☐ No
4.	Have your staff mark their calendars when the auditor will be performing the interim and final fieldwork	☐ Yes ☐ No
5.	Distribute the "information needs" list to the appropriate staff	☐ Yes ☐ No
6.	Meet with staff a few weeks prior to the arrival of the auditors to assess their progress	☐ Yes ☐ No
7.	Discuss conflict management with staff during the audit (there will likely be conflicts that your staff will encounter between the auditor's needs and the normal duties of your staff)	☐ Yes ☐ No
Audit arrival interim		
1.	Organize an off-site get-together at an interim	☐ Yes ☐ 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	☐ Yes ☐ 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.	☐ Yes ☐ 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.	☐ Yes ☐ 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.	☐ Yes ☐ No
6.	Hand over the financial statement file (see above)	☐ Yes ☐ No
7.	Reconfirm and hold the progress meetings	☐ Yes ☐ No
Pre-year-end meeting to address accounting issues		
1.	Raise all the likely accounting issues (discuss the draft with management to agree on issues upfront)	☐ Yes ☐ No
2.	Obtain a sign-off from auditors as to what their opinion is	☐ Yes ☐ No
3.	Discuss and agree quantification of any differences of opinion	☐ Yes ☐ No
Assembling a well-structured financial statement file.		
1.	Supports all numbers in the financial statements	☐ Yes ☐ No
2.	Supports all numbers presented in the notes	☐ Yes ☐ No
3.	Includes all schedules and reports used to compile the financial statement numbers	☐ Yes ☐ No

4. Schedules and reports should tie directly to the accounting records	☐ Yes ☐ No
5. Organized in order of assets, liabilities, revenues and expenses	☐ Yes ☐ No
6. Explanations of significant variances from year to year	☐ Yes ☐ No
7. Copies of all monthly management reports	☐ Yes ☐ 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	☐ Yes ☐ 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.	☐ Yes ☐ 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.	☐ Yes ☐ 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.	☐ Yes ☐ No
5. Hand over financial statement file (see above)	☐ Yes ☐ No
6. Reconfirm and hold the progress meetings	☐ Yes ☐ No
Handling the audit adjustments and representations	
1. Provide management representation letters in the prescribed format	☐ Yes ☐ No
2. Organize provision of legal representation letters	☐ Yes ☐ No
3. Posting of all final audit adjustments to the financial statements	☐ Yes ☐ 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	☐ Yes ☐ No
2. Organize post year-end party to celebrate the finish of a big task	☐ Yes ☐ No
3. Keep internal auditors informed of audit results	☐ Yes ☐ 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:

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- Each team is to list all their processes on 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	**Setting the scene** - A review of better practices among accounting teams that are delivering swift annual reporting. Topics covered include: - 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 Senior management, a PR expert involved in the annual report, a representative from the legal team, and a selection of budget holders (who are based locally) will be invited to attend this session, "setting the scene"

9.50	Agreement on the current key bottlenecks of year-end reporting presented by the Financial Controller ▪ 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 ▪ we need to work within existing systems ▪ the goal is to have signed annual accounts in 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)
12.30 pm	Lunch
1.15 pm	Workshop 2 continues
2.00 pm	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. Those in the C-suite and BHs who attended the first session will be invited to attend this session.
2.30 pm	Wrap up of workshop by Financial Controller
2.45 pm	Finish

The 'Post-it' re-engineering process is quite simple. All it requires is:

▪ Each team listing all their processes on 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, the teams gather together and start by explaining what better year-end procedures are.
▪ The 'Post-It' stickers are placed in time order under column headings week-2, day-1, week+1, week+2, etc., using a whiteboard (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 and fewer steps.
▪ Reorganize the key processes and bottlenecks based on better practice, e.g., accounts payable close-off occurring at noon on the 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?	☐ Yes ☐ No
Do you agree on an information needs list with the auditors?	☐ Yes ☐ No
Do you have a planning meeting with the external auditors?	☐ Yes ☐ No
Have you planned to complete the final draft of the annual report before year-end (excluding numbers)?	☐ Yes ☐ No
Do you have a person designated as the audit coordinator?	☐ Yes ☐ No
Are the audit team provided with adequate and appropriate facilities (e.g., own room, phones)?	☐ Yes ☐ No
Do you assemble a well-structured financial statement file for the auditors?	☐ Yes ☐ No
Do you have a pre-year-end meeting to address accounting issues?	☐ Yes ☐ No
Have you agreed on a month 10 or 11 hard close?	☐ Yes ☐ No
Have you streamlined the stock-taking process?	☐ Yes ☐ No
Is there a quick way of verifying "added value" in WIP?	☐ Yes ☐ No
Do you manage the management letter so it is balanced?	☐ Yes ☐ No
Have you restricted access to confidential information to the audit partner?	☐ Yes ☐ 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?	☐ Yes ☐ No
Have you established clear credit practices and communicated these credit practices to staff and customers?	☐ Yes ☐ No
Are you professional when accepting new accounts, especially larger ones (e.g., perform the credit checks that a bank would when lending the same amount)?	☐ Yes ☐ No
Do you monitor sales invoicing promptness and accuracy?	☐ Yes ☐ No
Do you charge penalties on overdue accounts?	☐ Yes ☐ No
Do you use the banks as cash handlers?	☐ Yes ☐ No
Do you collect over 90% of debt by direct debit?	☐ Yes ☐ No
Do you offer an ongoing rebate for direct debits (DD) or a monthly draw if your customer is the public (immediate Vs 20th)?	☐ Yes ☐ No
Are the senior management involved in collecting large, difficult accounts?	☐ Yes ☐ No
Are you accepting credit cards for smaller, high-risk customers?	☐ Yes ☐ No
Have you introduced the 15-month trend debtors graph?	☐ Yes ☐ No
Have you linked price increases with prompt payment rebates?	☐ Yes ☐ 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?	☐ Yes ☐ No
Do you invoice all "monthly invoices" to customers on a 26th to 25th cycle (e.g., May 27 to June 26)?	☐ Yes ☐ No
Alternatively, do you invoice all transactions to the 26th of the month, with a 2nd invoice for the remaining period of the month?	☐ Yes ☐ No
Do you send electronic invoices to your major customers, including their general ledger codes?	☐ Yes ☐ No
Have you streamlined the processes between sub-contractors and customers to ensure a prompt and accurate billing process?	☐ Yes ☐ 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 the 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 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 they 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 the candidate received training or had experience in:	Candidate _____	Candidate _____	Candidate _____	Candidate _____
▪ re-engineering ("post-it re-engineering)	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
▪ problem-solving techniques	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
▪ brainstorming techniques	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
▪ "story-boarding" report writing	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
▪ designing informative graphs	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
▪ objective setting	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
▪ delivering motivational presentations	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
▪ interviewing skills	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
▪ "active" listening skills	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
▪ maintaining project files	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
▪ project management	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
▪ database design and use	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No

PDF toolkit to be read in conjunction with the 3rd edition of the book

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

Implementing the 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 C-suite commitment	
1. Prepare a comprehensive sales pitch to the C-suite	☐ Yes ☐ No
2. Deliver a big sell to the C-suite (historical evidence of the burning platform, better practices, and the benefits to them)	☐ Yes ☐ No
3. Get commitment for a " fast light touch" forecast process	☐ Yes ☐ No
4. Work closely with the Exec. Assistants regarding diary bookings so the C-suite are present during the first forecast.	☐ Yes ☐ No
5. Ensure that management understands what is going to be delivered and what will be their involvement (Expectation management)	☐ Yes ☐ No
6. Ensure that the CEO is committed to being very visible during the road show of the new system	☐ Yes ☐ No

Selection of a project team	
7. Ensure the project team has no more than four members	☐ Yes ☐ No
8. A mix of people with forecasting, systems structure, and design expertise	☐ Yes ☐ No
9. Look for personality fit (see checklist for prospective project team members to complete)	☐ Yes ☐ No
10. Have an end user or budget holder on the project team	☐ Yes ☐ No
11. Team leader assigned	☐ Yes ☐ No
Establish your quarterly pattern to best fit your needs and external requirements.	
12. Avoid peak or holiday months	☐ Yes ☐ No
13. Link to monthly / quarterly / ½ yearly external reporting requirements	☐ Yes ☐ No
14. Determine when the forecast cycle is to be performed, e.g., commence 2nd Monday, on the quarterly cycle of March, June, September, and December.	☐ Yes ☐ No
15. Communicate dates to budget holders.	☐ Yes ☐ No
Revisit last year's forecasting process and ascertain lessons learned	
16. Interview two to three members of the C-suite for a debriefing	☐ Yes ☐ No
17. Interview four to six budget holders for a debriefing	☐ Yes ☐ No
18. Workshop with a focus group to ascertain hurdles and barriers	☐ Yes ☐ No
19. Report back findings to the C-suite and obtain sign-off for the next phase	☐ Yes ☐ No
20. Gather historical information that can be used to help with the new forecasting system, e.g., trends, averages, etc.	☐ Yes ☐ No
Evaluation of system requirements (incl. Focus group meeting)	
21. Hold a focus group, one 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	☐ Yes ☐ No
22. Focus group workshop to ascertain the likely scenarios	☐ Yes ☐ No
23. Have one application demonstrated at the focus group workshop	☐ Yes ☐ No
24. Report on recommended application and how it is to be built	☐ Yes ☐ No
25. Road map for development drafted	☐ Yes ☐ No
26. 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.	☐ Yes ☐ No
27. Assess the organization's skill set regarding implementation (extra training may be required to fill gaps)	☐ Yes ☐ No
Commence acquisition of planning application	

28. Appraise systems and shortlist to three before the RFP	☐ Yes	☐ No
29. Team to visit different sites of the preferred solution	☐ Yes	☐ No
30. If a major project, prepare a RFI as new systems are coming on stream all the time (this adds additional time to the project)	☐ Yes	☐ No
31. Establish selection criteria and shortlist down to three to five for the proposal	☐ Yes	☐ No
32. Reduce to the best two applications	☐ Yes	☐ No
Organize a test of the best two applications by contracting the consultants to model some of the required key features (consultants paid).		
33. Request short-listed suppliers to demonstrate their application on some of the key features. Agree to two -to three days of consultancy fees and evaluate results (the winner is expected to offset these days from the quoted price)	☐ Yes	☐ No
34. Sign-off deal	☐ Yes	☐ No
35. Ensure the key consultants featured in the proposal are locked into the project	☐ Yes	☐ No
Training of in-house designated experts on the new application		
36. 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)	☐ Yes	☐ No
37. Organize off-site visits so they can see other applications and learn from their experience	☐ Yes	☐ No
Build a new model using in-house teams with external advice		
38. More than one in-house staff member is involved in design	☐ Yes	☐ No
39. Documentation of logic has been completed	☐ Yes	☐ No
40. Keep to Pareto's 80/20, e.g., personnel costs should have much more detail	☐ Yes	☐ No
41. Based on key drivers ascertained through research and discussions with the C-suite	☐ Yes	☐ No
42. Brainstorm with the C-suite what their likely scenarios are	☐ Yes	☐ No
43. Ensure you can accommodate these in the model design:	☐ Yes	☐ No
o Introduction of the new product(s)	☐ Yes	☐ No
o Close-down of an operation	☐ Yes	☐ No
o Delay of a major initiative	☐ Yes	☐ No
o Extrapolations on expenditure profiles that can be best computed by trending data	☐ Yes	☐ No

o A major shift in assumptions	☐ Yes ☐ No
44. Consultants give workshops and train but do not perform the modeling	☐ Yes ☐ No
45. Follow the KIS (kept it simple) principle	☐ Yes ☐ No
46. Make provisions to accommodate budget holders' calculations in the model	☐ Yes ☐ No
47. Where relevant, link forecasting tool to performance indicators	☐ Yes ☐ No
48. Ensure budget holders are directly involved in the forecasting process, e.g., no delegation	☐ Yes ☐ No
49. Lock in a short forecasting process	☐ Yes ☐ No
50. Deliver more interesting information from the forecast process, e.g., trend graphs, performance measures	☐ Yes ☐ No
51. During the forecasting period (one or two weeks), update frequently how the budget holder numbers are progressing	☐ Yes ☐ No
52. Constantly market the success stories	☐ Yes ☐ No
Pilot planning application in two areas	
53. Set up the new forecasting regime in two or three units, a quarter ahead, to iron out the bugs and to promote the efficiencies	☐ Yes ☐ No
54. Fine-tune system based on results and feedback	☐ Yes ☐ No
Roadshow of new rolling forecast application	
55. Prepare presentation and road test in front of PR expert	☐ Yes ☐ No
56. Test the effectiveness of the workshop exercises to a test audience	☐ Yes ☐ No
57. Deliver road-show	☐ Yes ☐ No
58. Improve road-show, on the road, based on feedback	☐ Yes ☐ No
59. Explain that budget holders are encouraged to give realistic forecasts rather than what they think management wants to hear	☐ Yes ☐ No
Roll out training of planning application (using in-house experts)	
60. Find those staff who thrive with new technology and train them first	☐ Yes ☐ No
61. Learn from previous forecast mistakes and train staff to avoid them	☐ Yes ☐ No
62. Train all significant budget holders through "one-on-one" training	☐ Yes ☐ No
63. Set up from the outset a quarterly follow-up training course	☐ Yes ☐ No
64. Assess the training needs of the project champion, e.g., some training gaps may need to be filled	☐ Yes ☐ No
Complete QA processes on the first rolling forecast	
65. Establish in-depth QA procedures	☐ Yes ☐ No

66. Set up a directory for filing the QRF returns and standardize all working papers	☐ Yes ☐ No
67. Provide reasonability checks	☐ Yes ☐ No
68. Audit the forecast application prior to use	☐ Yes ☐ No
69. 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	☐ Yes ☐ 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 a quarterly run using the 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	☐ Yes ☐ No
2. Up-to-date standard costings for travel, accommodation, transfers, and daily allowances to all common destinations	☐ Yes ☐ No
3. Introduce continuous improvements based on prior quarter surveys	☐ Yes ☐ No
4. Complete payroll details and pre-populated all budget holders' schedules	☐ Yes ☐ No
5. Issue QRF timetable on the intranet	☐ Yes ☐ No
6. Obtain up-to-date demand forecasts from key customers where possible	☐ Yes ☐ No
7. Set key assumptions and materiality levels before the forecast round	☐ Yes ☐ No
8. Prepare presentation for budget holders (slides and handouts)	☐ Yes ☐ No
9. CEO invitation to attend quarterly rolling presentation sent stating permission is to be sought from CEO if not attending the workshop	☐ Yes ☐ No
10. Deliver a presentation explaining to all budget holders how it is going to be done, assumptions, lessons from the last run, etc	☐ Yes ☐ No
11. Organize additional support to help with one-to-one support (using local accounting firms - their staff would have to attend the workshop)	☐ Yes ☐ No
12. Provide briefing to new support staff from local accounting firms (if used)	☐ Yes ☐ No
13. Establish a schedule of who is to provide whom with one-to-one support during the forecast.	☐ Yes ☐ No
14. Up-to-date revenue and expenditure trend graphs, where necessary.	☐ Yes ☐ No

15. Have limited budget holder's forecast requirements to no more than twelve cost category lines	☐ Yes	☐ No
16. Process any changes highlighted from the last forecast and audit the formulas forecast in the forecasting application	☐ Yes	☐ No
17. Remind the forecasting committee (CEO, two GMs, and CFO) of their responsibilities	☐ Yes	☐ No
Support budget holders during forecast preparation		
18. Provide more one-to-one support	☐ Yes	☐ No
19. Provide a daily progress report to the CEO of budget holders who are running late - shame and name report	☐ Yes	☐ No
20. Provide incentives for prompt forecast returns (e.g., cinema vouchers)	☐ Yes	☐ No
21. Ensure budget holders have provided insightful commentary	☐ Yes	☐ No
22. Provide budget holders with comparison graphs so they can see how reasonable that forecast looks against past trends	☐ Yes	☐ No
Complete QA procedures		
23. Ensure all returns are in	☐ Yes	☐ No
24. Check all key ratios for reasonableness	☐ Yes	☐ No
25. Review all revenue and expenditure graphs to ensure the trends look reasonable	☐ Yes	☐ No
26. Ensure all key papers have been filed on the master file	☐ Yes	☐ No
27. Rework forecasts where forecasts have known errors, and you have the budget holders' permission	☐ Yes	☐ No
28. Check the correct treatment of costs on major projects	☐ Yes	☐ No
29. Interviews budget holders by forecasting committee where the forecast is significantly different	☐ Yes	☐ No
30. Look for missed major expenditure items	☐ Yes	☐ 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)	☐ Yes	☐ No
32. Has the forecasting committee confirmed their attendance?	☐ Yes	☐ No
33. The forecasting committee has interviewed all major budget holders	☐ Yes	☐ No
34. Adjust forecasts based on feedback from the Forecasting committee	☐ Yes	☐ No
35. Forecasting committee confirms the forecast	☐ Yes	☐ 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)	☐ Yes ☐ No
Review process - lessons learned	
37. Set up intranet intranet-based feedback survey on the QRF process	☐ Yes ☐ No
38. Plan the next forecast run	☐ Yes ☐ No
39. Ascertain budget holders who require special assistance next time	☐ Yes ☐ 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)	☐ Yes ☐ No
41. Update reporting application with new targets for the forthcoming three months	☐ Yes ☐ No

The "Planner Tool Supplier" Evaluation Checklist

Ratings of planning tool providers against key requirements:	_____	_____	_____	_____
The supplier has a local agent.	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
They are skilled trainers.	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
They have worked with our G/L.	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
The tool is easy to use.	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
License costs are reasonable.	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
The supplier's key consultants are available for this project.	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
The demonstration shows that they understand our requirements.	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
Good feedback from _____.	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
Good feedback from _____.	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No

Chapter 17
Finding Your Organization's Operational Critical Success Factors

A Copy of Chapter 7 from Key Performance Indicators: Developing, Implementing and Using Winning KPIs, 4th 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 for 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, and 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	

Common success factors	Reworded success factor for your business
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)	
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)	

Common success factors	Reworded success factor for your business
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	
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 are active advocates for our business (especially our key ones)	
Seeking excellence in every aspect of our interaction with our customers	

Common success factors	Reworded success factor for your business
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)	
Other Success Factors with an Employee Satisfaction Focus	
Recognition is a daily activity (being an organization that recognizes our staff's 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 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 behavioral implications of performance measures
- Replacing annual planning by introducing quarterly rolling planning
- This position has a status equivalent to 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 that 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 behavioral implications of performance measures
- Replacing annual planning by introducing quarterly rolling planning
- Running a series of in-house workshops to promote the initiatives mentioned above
- Assisting as needed departments to improve performance and efficiencies.
- Following established policies and procedures and determining and recommending 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 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 on all performance measures 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 the 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, Organizational Excellence, Agile, and 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, 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 with over 500 employees, there will be enough talent to find someone who:

Degree	Has tertiary qualifications and thus is able to absorb new methods and practices swiftly
Project management	Has a successful 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, a positive attitude, is mission-driven, and is self-directed.

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

Developing a winning KPIs checklist

Developing a winning KPIs checklist	Tick if covered
Have you sold the need for a key performance indicator project through the emotional drivers?	☐ Yes ☐ No
Do you understand the difference between the four types of performance measures (KRIs, RIs, PIs, & KPIs)?	☐ Yes ☐ No
Have the team listen to the free webcasts on KPIs by D. Parmenter accessed via www.davidparmenter.com.?	☐ Yes ☐ 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	☐ Yes ☐ No
Do you understand the 10/80/10 rule?	☐ Yes ☐ No
Can you recall the characteristics of KPIs?	☐ Yes ☐ No
Do you and the senior management team understand the six-stage process of implementing KPIs?	☐ Yes ☐ No
Do you and the senior management team understand the role the organization's critical success factors play in developing performance measures that work?	☐ Yes ☐ No

| Do you have a dashboard for the board of directors?	☐ Yes ☐ No
Do you have a balanced scorecard for management?	☐ Yes ☐ No
Do you have a balanced scorecard for teams?	☐ Yes ☐ No
Do you have an icon-based report telling staff monthly how the organization is progressing with its CSFs?	☐ Yes ☐ No

KPI Articles

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

Chapter 19
Reporting Performance Measures

The Reporting Exhibits that were too small in the book

Example of a Monthly Report to Management
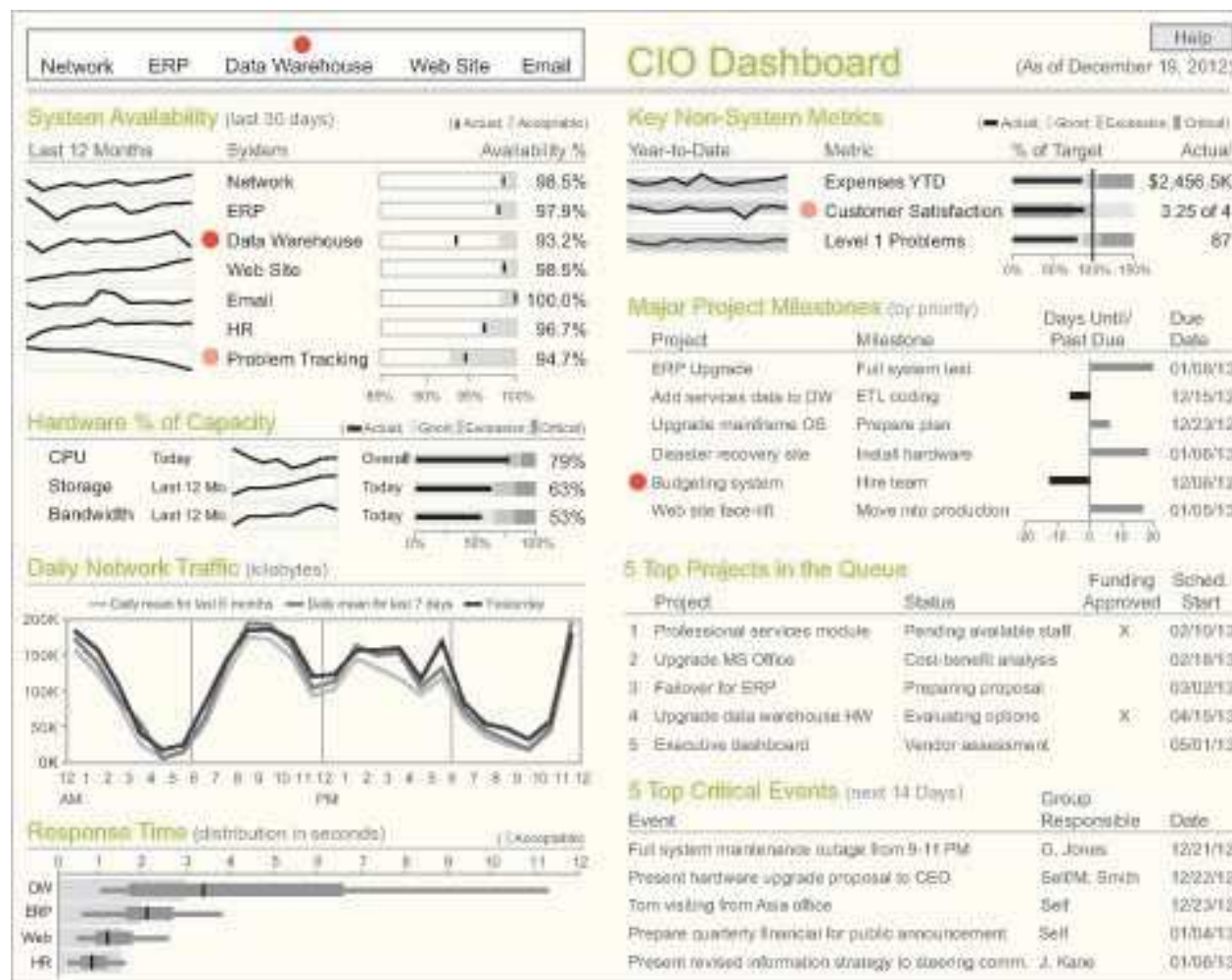
Source: Stephen Few wwwperceptualedge.com

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**

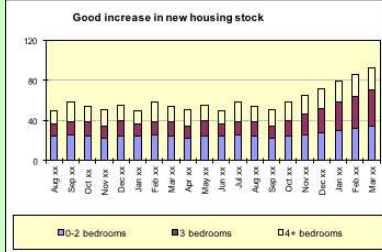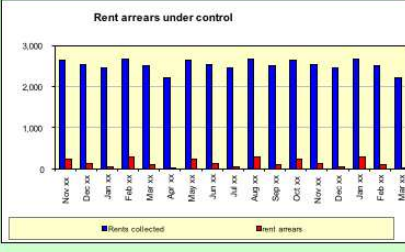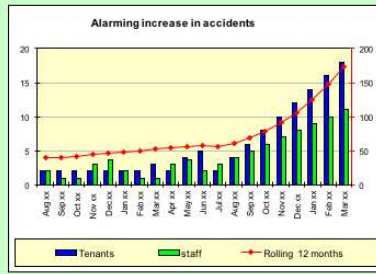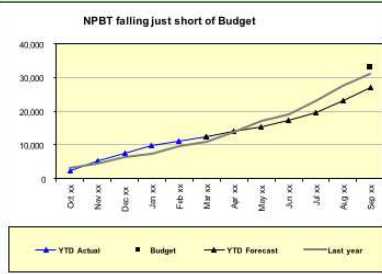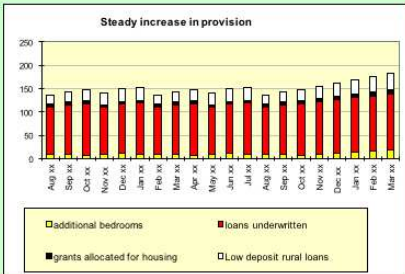| What we have to do well every day - our critical success factors (CSFs)	Our performance measures in the CSFs		Actual	Target
Delivery in full on time to key customers	On time deliveries to our key customers	🟠	98%	99%
	Goods rejected by key customers due to quality defects	🟠	3%	4%
We are warriors against waste	Wastage reduction programs started in month	🔴	0	2
	Waste reduced from existing programs	🟠	9%	10%
We finish what we start	Number of late projects	🟢	5	15
	Number of project finishes in month by due date	🟢	9	10
We are a learning organisation	Staff training hours this month	🟠	150	220
	Staff with mentors	🟢	35	80
We grow leaders	Leaders appointed from within last month	🟢	4	2
	Managers in leadership programs	🟢	9	10
Attracting new profitable customers	Orders from new customers	🔴	3	10
	Positive feedback from new customers	🟢	3	2
Innovation is a daily activity	Ideas adopted last month	🔴	9	20
	Ideas for implementation within 3 months	🔴	20	50
We are respected in the communities we work in	Community participation by employees in month	🟢	30	20
	New initiatives planned for community, next 3 months	🟢	3	2
Increase in repeat business from key customers (KC)	Order book from key customers	🟢	$500,000	$400,000
	Number of product developments in progress	🟢	3	2

Amber (acceptable)

Red (poor)

Green (good)

Board Dashboard on an A3 Page

Dashboard for Board - March 20___

Staff satisfaction in Div 3 a concern — Div 1, Div 2, Div 3

Operating expenses (excl depn, amort. and int) tracking well — Actual, Target

Return on capital employed recovering — Actual, Target

Steady increase in provision — additional bedrooms, loans underwritten, grants allocated for housing, Low deposit rural loans

NPBT falling just short of Budget — YTD Actual, Budget, YTD Forecast, Last year

Alarming increase in accidents — Tenants, staff, Rolling 12 months

Rent arrears under control — Rents collected, rent arrears

Good increase in new housing stock — 0-2 bedrooms, 3 bedrooms, 4+ bedrooms

Waiting lists rising — Auckland, Rest of country

Financial Performance for the __ months ended _____ 20__

All figures are $Ms

Revenue	Actual	YTD Budget	Variance[1]	Forecast	Full Year Plan	Variance
_____	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
Accommadation 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)**

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

Statement of Financial Position
All figures are $Ms

	As at	Previous month	Movement
SHAREHOLDERS' FUNDS	25.5	25.0	0.5
Represented by:			
Bank and Cash	6.3	9.5	(3.2)
Debtors	5.3	5.5	(0.2)
Total Current Assets	**11.6**	**15.0**	**(3.4)**
Property and equipment	16.2	18.1	(1.9)
Intangible assets	22.6	18.2	4.4
Total LT Assets	**38.8**	**36.3**	**2.5**
Total Assets	**50.4**	**51.3**	**(0.9)**
Creditors and payables	9.1	9.5	(0.4)
Unearned income	5.3	6.1	(0.8)
Employee entitlements	6.3	6.5	(0.2)
Total Current Liabilities	**20.7**	**22.1**	**(1.4)**
Non Current Liabilities	4.2	4.2	-
Total Liabilities	**24.9**	**26.3**	**(1.4)**
NET ASSETS	**25.5**	**25.0**	**0.5**

1. Working capital ratio: __:1

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.
* _____
* _____

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

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

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

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

Projects Status

Risk of non-completion ■ Behind □ On-track □ Done

Financial Results - Progress Against Plan

■ Annual plan — — — Forecast cumulative
▲ Actual cumulative — Last year

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	☐ Yes ☐ No
Relative measures are introduced to take account of:	
▪ Comparison against market share	☐ Yes ☐ No
▪ Comparison against other peers	☐ Yes ☐ No
▪ Changes in input costs	☐ Yes ☐ No
Progress against the relative measures is reported three or four times a year	☐ Yes ☐ No
2. Super profits should be retained for the loss-making years lying ahead	
Super profit scenarios have been analysed	☐ Yes ☐ No
Historic trends are analyzed to estimate when super profits are being made	☐ Yes ☐ 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)	☐ Yes ☐ No
Super profits are removed from net profit as a % of each $m made rather than have a ceiling	☐ Yes ☐ No
Model tested against last 10, 20 years retained profit/losses to ensure formula is right	☐ Yes ☐ No
3. The profits in a bonus calculation should be free of all major 'profit enhancing' accounting adjustments.	
Eliminate all short-term accounting adjustments, including:	
▪ Recovery of written-off debt	☐ Yes ☐ No
▪ Profit on sale of assets	☐ Yes ☐ No
▪ Recovery of goodwill	☐ Yes ☐ 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.	☐ Yes ☐ No

5. Separate 'at risk portion of salary' from bonus element		
Test the new system on previous years	☐ Yes	☐ No
Human Resources to discuss the change on a one-to-one basis with all managers affected	☐ Yes	☐ No
Prepare an example of the new scheme and publish it in a secure area of the Human Resources team's intranet section	☐ Yes	☐ No
6. Avoiding linkage to share price movements		
Removed all bonuses that are linked to share prices	☐ Yes	☐ No
Removed all share options from remuneration	☐ Yes	☐ No
7. Linked to a balanced performance		
Remove all KPIs from bonus schemes	☐ Yes	☐ No
Evaluate progress against the success in the critical success factors	☐ Yes	☐ No
8. Avoid having a deferral scheme for all unrealized gains	☐ Yes	☐ No
9. All bonus schemes must be 'game' tested	☐ Yes	☐ 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	☐ Yes	☐ No
Consult with some clever staff and ask them, 'What actions would you undertake if this scheme was running?'	☐ Yes	☐ 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.	☐ Yes	☐ No
10. Don't link KPIs with performance-related pay	☐ Yes	☐ No
Removed all KPIs from performance-related pay	☐ Yes	☐ No
Removed all KPIs from Job descriptions	☐ Yes	☐ No
Removed all KPIs from annual performance agreements	☐ Yes	☐ No
11. Communicating with staff using PR experts	☐ Yes	☐ No
Sold changes via the emotional drivers	☐ Yes	☐ No
Have prepared presentations that are targeted specifically at:	☐ Yes	☐ No
▪ The board	☐ Yes	☐ No
▪ CEO	☐ Yes	☐ No
▪ Senior management team	☐ Yes	☐ No
▪ The staff on performance-related pay schemes	☐ Yes	☐ No
12. Road test the bonus scheme on last complete business cycle	☐ Yes	☐ No

A Printable Version of the exhibits used in this Chapter

Retention of Super Profits
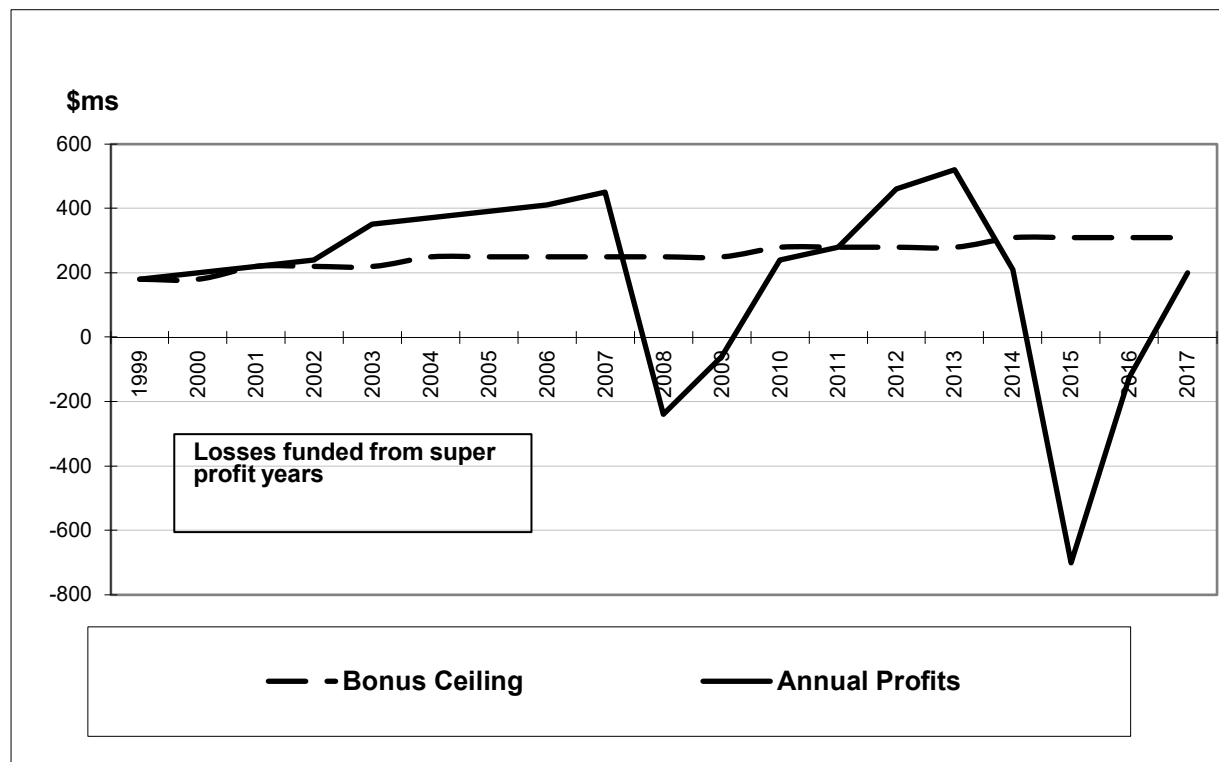
At Risk Component of Salary

	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?	☐ Yes ☐ No
Have you evaluated the potential downside?	☐ Yes ☐ No
Are all the following team players experienced in accurately assessing the full costs of the TOM and accurately estimating synergistic savings?	
Advising Brokers	☐ Yes ☐ No
TOM advisors	☐ Yes ☐ No
Board	☐ Yes ☐ No
Executive	☐ Yes ☐ No
Have all other alternatives to the TOM been fully explored?	☐ Yes ☐ 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'?	☐ Yes ☐ No
Has your company got experience in doing a proper due diligence process?	☐ Yes ☐ No
Has your company enough time to do a proper due diligence process?	☐ Yes ☐ No
Has an impact assessment been undertaken on the organization if the TOM fails?	☐ Yes ☐ No
Has the company got enough cash reserves to 'weather any eventual storm' arising from the TOM?	☐ Yes ☐ No
Have you performed a culture audit? - a TOM is like merging two families, and many problems are overlooked in the frenzied courtship.	☐ Yes ☐ 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.	☐ Yes ☐ No
Have you assessed asset fit - quality, condition and usage?	☐ Yes ☐ No
Is your target company a 'CAMEL'? - a company with adequate **c**apital, good **a**sset quality, good **m**anagement, a record of sound **e**arnings growth and good **l**iquidity.	☐ Yes ☐ No
Has an assessment been done on the locked-in employment terms and conditions (especially relevant if acquiring an Australian company)?	☐ Yes ☐ 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)	☐ Yes ☐ 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.	☐ Yes ☐ No
Has the TOM been initiated through sound reasoning? (Many mergers based on a defensive or cost-cutting strategy fail).	☐ Yes ☐ No
Have you carefully selected the target? Or if you have been approached, have you really ascertained why they want to sell?	☐ Yes ☐ No
Have you checked the adequacy of provisioning for potential bad debts and under performing loans?	☐ Yes ☐ 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)	☐ Yes ☐ No
Have you established an integration plan that would include the setting up of a 'council' that would oversee the key integration projects?	☐ Yes ☐ No
The current relationship between the companies is favourable (in other words have not been fierce rivals in the past).	☐ Yes ☐ No
Do you have the resources to select the new management structure ASAP?	☐ Yes ☐ 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.	☐ Yes ☐ No
Are you prepared to go through the potential pain of lower revenue as management and staff are diverted by the merger?	☐ Yes ☐ No
Are you prepared to be made surplus to requirements when all the dust has settled and the bloodletting finished?	☐ Yes ☐ No
Have you set up a clear strategy for after the merger, including who is getting what job, thus avoiding the cancer of uncertainty?	☐ Yes ☐ No
Have you set up an in-house think-tank whose task is to speed up integration and extract knowledge from the different parts of the joint company and use it in the new organization?	☐ Yes ☐ No
Have you ensured that the joint CEOs are able to work together until the designated word CEO leaves? Remember, appearances count.	☐ Yes ☐ No

Chapter 22
The Hidden Costs of Reorganizations and Downsizing

The Reorganization Checklist

Key Task	Tick if covered
1. Have you evaluated the potential downside?	☐ Yes ☐ No
2. Have the senior managers got a convincing story to tell that will capture the minds and hearts of staff - without this, staff will become disillusioned very quickly and start turning away from the organization?	☐ Yes ☐ No
3. Are all the following team players experienced in accurately assessing the full costs of the reorganization?	
▪ The Board/Ministers' Office/Council	☐ Yes ☐ No
▪ Senior management	☐ Yes ☐ No
▪ Advisors you have used	☐ Yes ☐ No
4. Have all other alternatives to the re-organization been fully explored?	☐ Yes ☐ No
5. Have you got a re-organization web page on the intranet site explaining the current status?	☐ Yes ☐ 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)	☐ Yes ☐ No
7. Have reasonable estimates been made for the following consultancy fees?	☐ Yes ☐ No
New organization logo, if necessary	☐ Yes ☐ No
New letterhead and signage and stationary, if necessary	☐ Yes ☐ No
Public relations and culture change advice	☐ Yes ☐ No
Recruiting costs for new positions	☐ Yes ☐ No
8. Have reasonable estimates been made for temporary staff, redundancy pay, and contractors?	☐ Yes ☐ No
9. Have reasonable estimates been made for legal costs -- which can be significant if the change process isn't done well?	☐ Yes ☐ 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?	☐ Yes ☐ 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 managers reapplying for their positions, endless re-organization meetings, etc.)	☐ Yes ☐ No
12. Have you held discussions with all key employees to ensure that the reorganization will not disenfranchise them?	☐ Yes ☐ No
13. Have you scheduled team building exercises, as the re-organization will have created some disharmony amongst managers as they jockey for positions?	☐ Yes ☐ 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).	☐ Yes ☐ 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?	☐ Yes ☐ No
16. Have you created a checklist on all changed IT requirements?	☐ Yes ☐ 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).	☐ Yes ☐ No
18. Have you organized training for all staff undertaking new roles?	☐ Yes ☐ No
19. Have you updated the website for the new structure?	☐ Yes ☐ No
20. Have you created press releases for publications and letters to stakeholders, contractors, suppliers, and customers?	☐ Yes ☐ No
21. Have you developed a training program to help managers during the recruitment process?	☐ Yes ☐ No
22. Have you estimated the time and cost of unfair dismissal cases?	☐ Yes ☐ 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.).	☐ Yes ☐ No
24. Have you planned to have 'events' which will put some fun back in the workplace?	☐ Yes ☐ No