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How the Finance Team can help their organisation get future-ready

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Level of audience satisfaction

- Who is satisfied that their finance team has fully embraced all the lean best practices to be future ready?

- Who is satisfied that their annual planning process helps get their organisation future ready?

- Who is satisfied that their finance team has maximized its use of 21st century systems?

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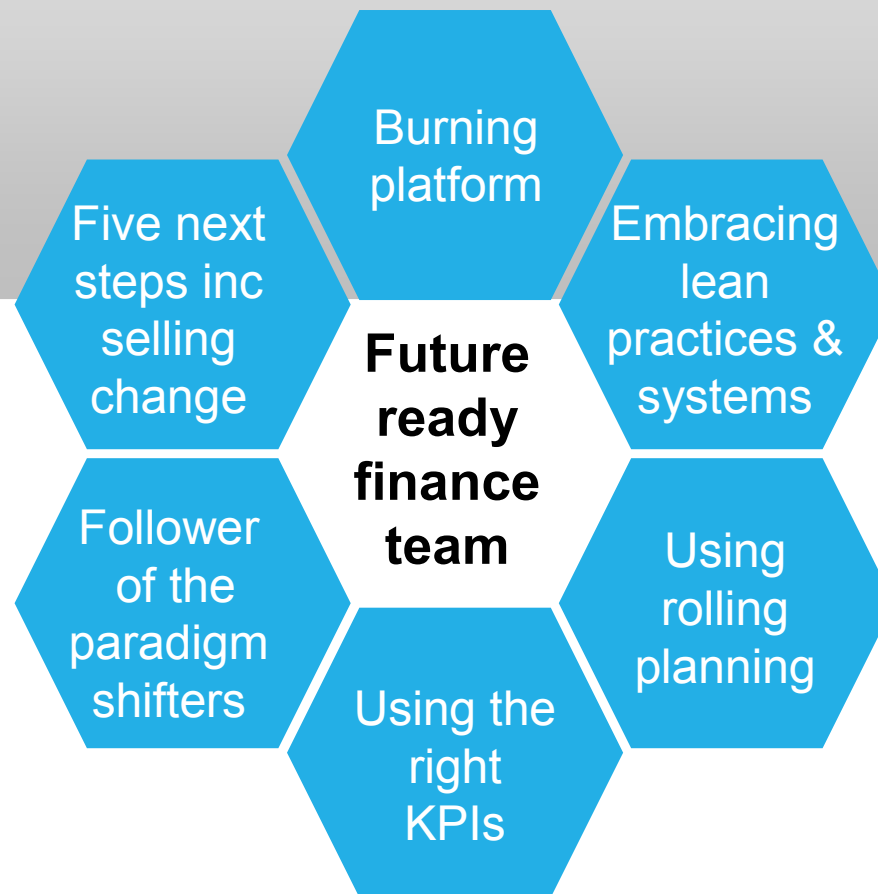
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Finance teams have a burning platform

- Finance teams wedded to antiquated practices
- Many processes are broken KPIs, annual planning, forecasting, reporting
- Annual planning has and will always fail
- Outdated technology

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This racer is future ready – is the finance team?

- Instant feedback
- Work with big data to improve
- Looking ahead
- Learn from mentors
- Benchmark
- Quick adapter
- Extensive training

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Burning platform

Five next steps inc selling change

Embracing lean practices & systems

Future ready finance team

Follower of the paradigm shifters

Using rolling planning

Using the right KPIs

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Like Charles Dickens' writing finance teams are locked in the past

- Slow month-end and year-end reporting
- Finance teams with a spreadsheet epidemic
- Still buried in paper
- Allocating resources and monthly targets from the annual plan
- Slow report generation
- Using Julius Caesar's calendar

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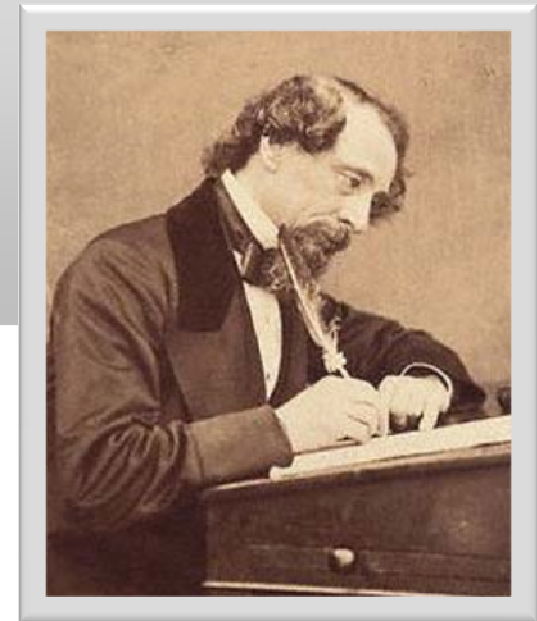
Tackle slow reporting now

- Monthly reporting seldom changes anything
- Information is too late e.g. *it is as useful as telling a trainer that his prize horse escaped the stables, sometime last month!*
- 21st century best practice
  - 24/7 reporting of KPIs
  - daily reporting of key numbers
  - month-end forecast
  - month-end report (virtual, day one, inside three working days)

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Five major steps you can do before next month-end

- Establish m/e reporting rules for the finance team
- Ban spring cleaning at month–end
- Let adjustments off set each other
- Avoid high processing at month-end
- Closing-off AP, accruals, AR, inventory last working day or earlier
- Capital expenditure closed off earlier
- New day-one procedures inc. a flash report

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Have a fast year-end

- Use technology (consolidation tools, document & disclosure management system) to control the "last mile"
- Embrace a BHAG - signed audited accounts in 15 working Days
- Embrace abandonment of broken practices (Peter Drucker)
- Let adjustments off set each other
- Adopt the SCRUM methodology

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Finance teams can no longer support an annual planning process

- Takes too long
- Costs too much
- Leads to dysfunctional behaviour
- Undermines monthly reporting (monthly budgets are poor targets)
- Is not designed for a "future ready" organisation
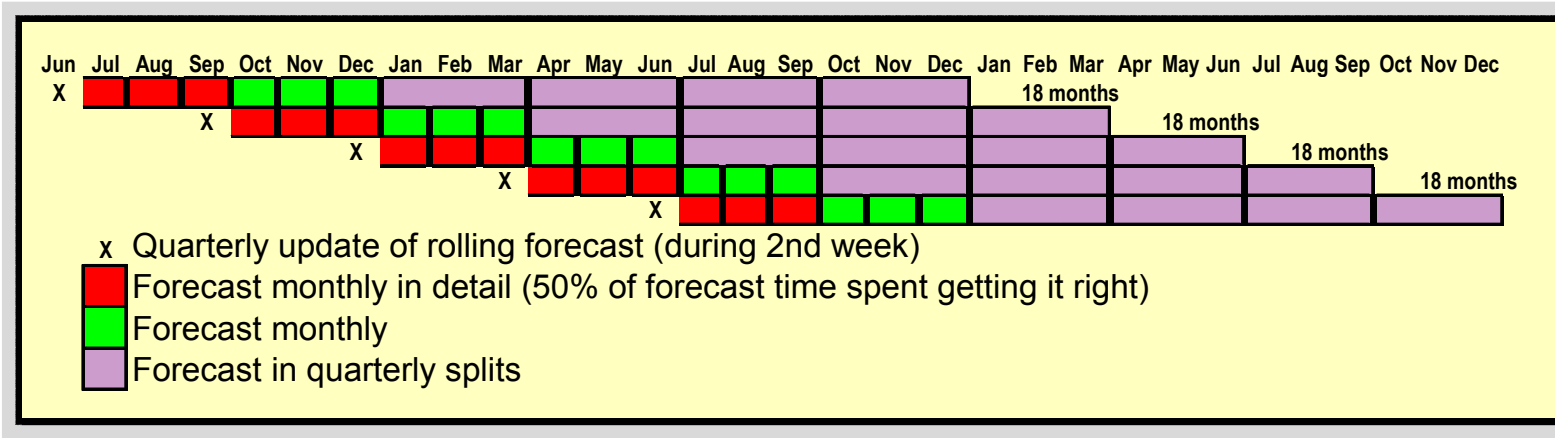- Is an "anti-lean" process
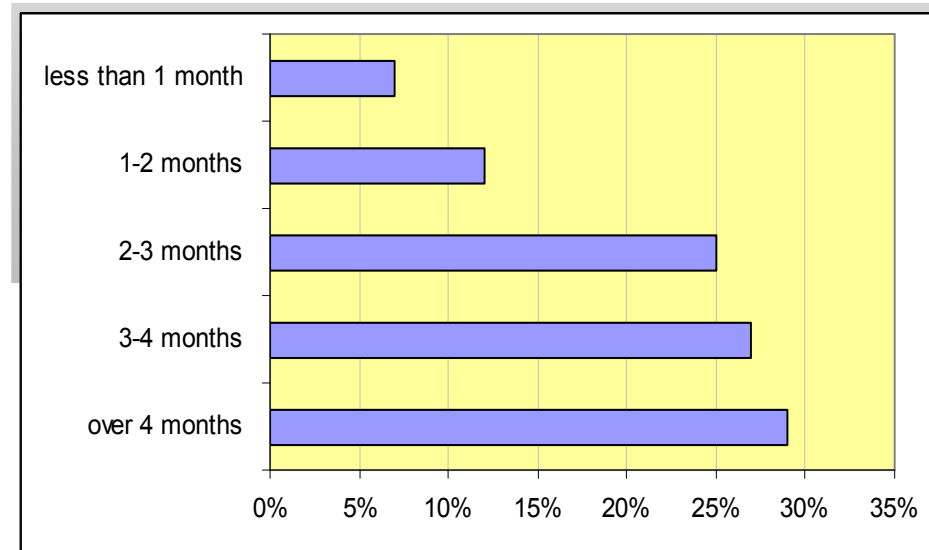
Optimize planning, budgeting and forecasting – a new entry at 90%

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Processes to see into the future clearer - rolling forecasting

Using rolling planning

- What is a quarterly rolling forecast (QRF) process?
- Using a modern planning tool that is linked to the current and future strategic issues and drivers
- Build the forecasting on best practice foundation stones
- Using smart tools (business analytics etc) to help predict the future

| Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May Jun | Jul | Aug Sep | Oct | Nov Dec |

x Quarterly update of rolling forecast (during 2nd week)
Forecast monthly in detail (50% of forecast time spent getting it right)
Forecast monthly
Forecast in quarterly splits

18 months

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Myths around annual planning

1. There is a need to set annual targets
2. We only need to forecast out to the current year-end
3. We could set monthly targets from the annual plan
4. Giving budget holders an annual entitlement made sense
5. We need to budget at account code level
6. An annual plan needs to take months to complete
7. We had to use Julius Caesar's calendar
8. The annual plan will be quicker this year

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Abandoning processes that do not work

- Forecasting in a spreadsheet
- Forecasting in detail, at account code level and to the dollar
- Forecasting only to the end of the current year as if next year did not exist
- Giving budget holders an annual entitlement because they do not know what the coming year really holds, nor does anyone in finance
- Setting monthly targets from the annual plan

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Budget at high level than account codes

Forecasting at Account Code Level		Forecasting at Category Level	
Stationery	40,556		
Uniforms	23,325		
Cleaning	11,245		
Miscellaneous	17,654	Consumables	110,000
Consumables	12,367		
Kitchen supplies	2,134		
	107,281		110,000

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Based on a planning application – not a spreadsheet

Yet 66% respondents still using intuition or a spreadsheet

R.I.P

All spreadsheets over 100 rows

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A fast light touch (an elapsed week for a quarterly update)

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Case study: planning tool implementation

- The Excel model had grown to 264 workbooks over its 13 year life – 5 hours consolidation
- Consultants used to ascertain the planning tool shortlist
- Hired a planning tool developer to be the facilitator - 140 page blueprint capable of "going to market"
- Acquired TM1
- Implementation 70% under budget
- High degree of ownership

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Ballance Nutrients' blueprint for rolling planning

- Held three - two week workshops (six weeks)
  - CEO, SMT Finance, Production, marketing attended
  - a clear understanding of the their needs from the model
  - worked out how the model should work
  - test most logic
- Forced involvement from the operations
- "Make decisions slowly by consensus, thoroughly considering all options and then implement the decisions rapidly" Toyota

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KPIs needs a total rethink in future ready organizations

Using the right KPIs

- Often a random collection prepared with little expertise signifying nothing
- Many KPIs are damaging and have to be abandoned
- Balanced scorecard methodology has confused the issue
- Mixture of operational and governance measures
- Not linked to the critical success factors
- Reported too late

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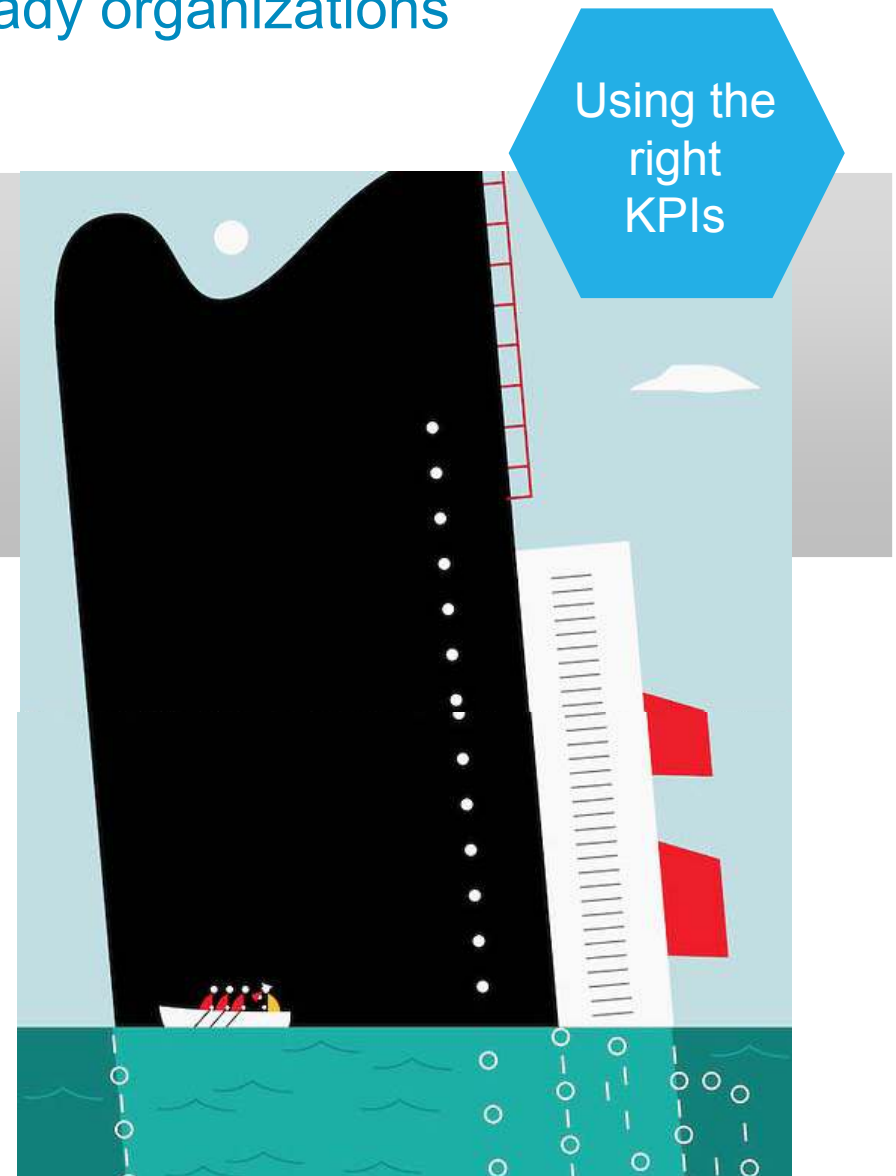
KPIs are special

- Non financial
- Timely
- CEO focus
- Simple
- Team based
- Broad impact
- Limited dark side

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Five myths of performance measurement that are undermining performance

- By tying KPIs to pay you will increase performance
- Most measures lead to better performance
- Monitoring monthly performance measures will improve performance
- Measures are either lead or lag indicators
- Measures are here to implement strategy (slide)

Moon   Earth   Venus   Sun   Mars

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Four types of performance measures

customer satisfaction
employee satisfaction
return on capital
employed

sales made yesterday
debtor collections in week
bed utilisation in week

Past	Present	Future

RIs

KRIs

RIs

PIs

PIs

PIs

KPIs

last year · last quarter · last month · last week · Next week · Next fortnight · next month · next quarter

# of employees' suggestions implemented in last 30 days
sales calls organised for the next week, fortnight
late deliveries to customers

The different functions of the four types of performance measures

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Definition of KPIs

They focus on the aspects or areas of our organisation's performance that are **critical** or **vital** for our ongoing and future success

Source: AusIndustry KPI Manual

- Late deliveries to **key** customers
- Recognitions planned for next week / fortnight
- Outstanding job offers, over 24 hours old
- Resignations from key staff (in last hour)
- Unresolved key customer complaints (over 4 hours)

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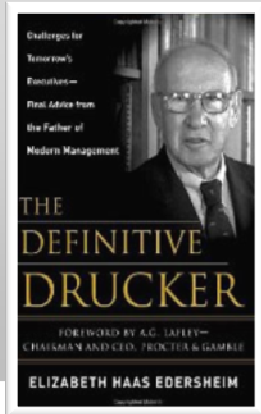
Sorting the wheat (KPIs) from the chaff (performance measures)

- More intellectual rigour before setting an indicator
- More abandonment, less is better than more
- Indicators split between KRIs , RIs, PIs and KPIs
- Greater alignment to the CSFs
- Greater focus

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Get your thinking future ready - by reading these books

THE DEFINITIVE DRUCKER
ELIZABETH HAAS EDERSHEIM

Jack Welch with Suzy Welch
WINNING

GOOD TO GREAT
JIM COLLINS

In Search of EXCELLENCE
Lessons from America's Best-Run Companies
Thomas J. Peters and Robert H. Waterman, Jr.

Follower of the paradigm shifters

Reinventing the CFO
JEREMY HOPE

THE TOYOTA WAY
14 MANAGEMENT PRINCIPLES FROM THE WORLD'S GREATEST MANUFACTURER
JEFFREY K. LIKER

THE FUTURE OF MANAGEMENT
GARY HAMEL
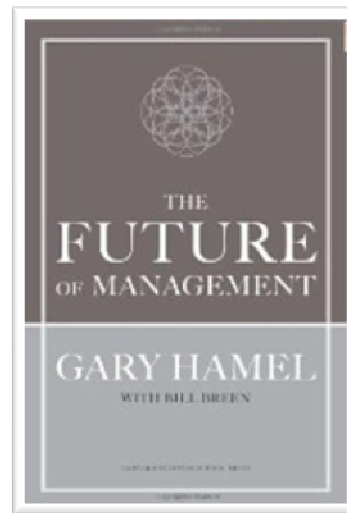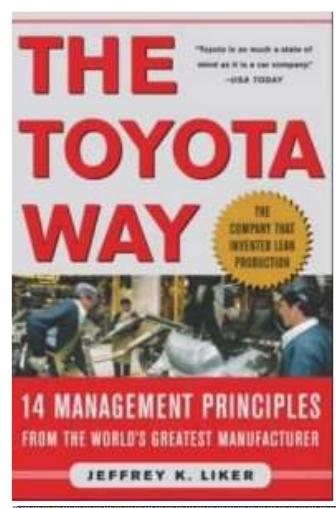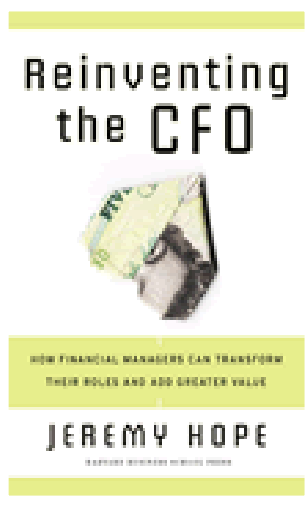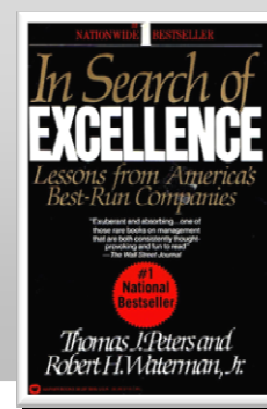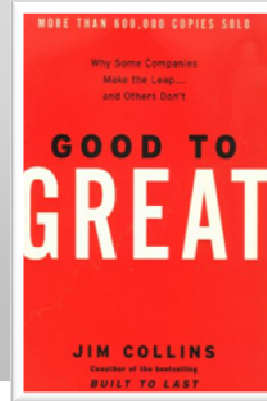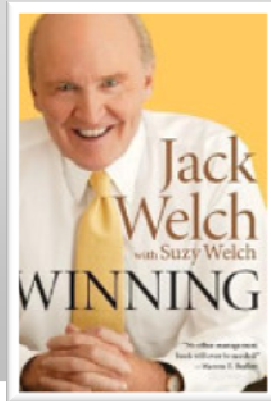
These books show the way forward

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Selling - the basics

Five next steps inc selling change

Attend a train the trainer course

Learn to sell by emotional drivers

Have your elevator speech well practised

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Selling change – John Kotter

Create a guiding coalition

Establish a sense of urgency
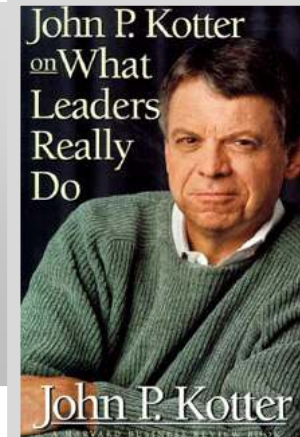
Develop a compelling blueprint e.g. The Ballance case study

John P. Kotter on What Leaders Really Do
John P. Kotter

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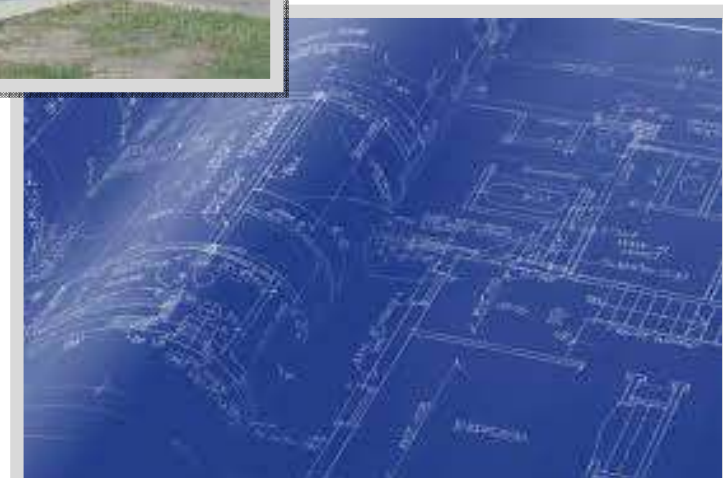
Selling change II

Develop a vision
and strategy
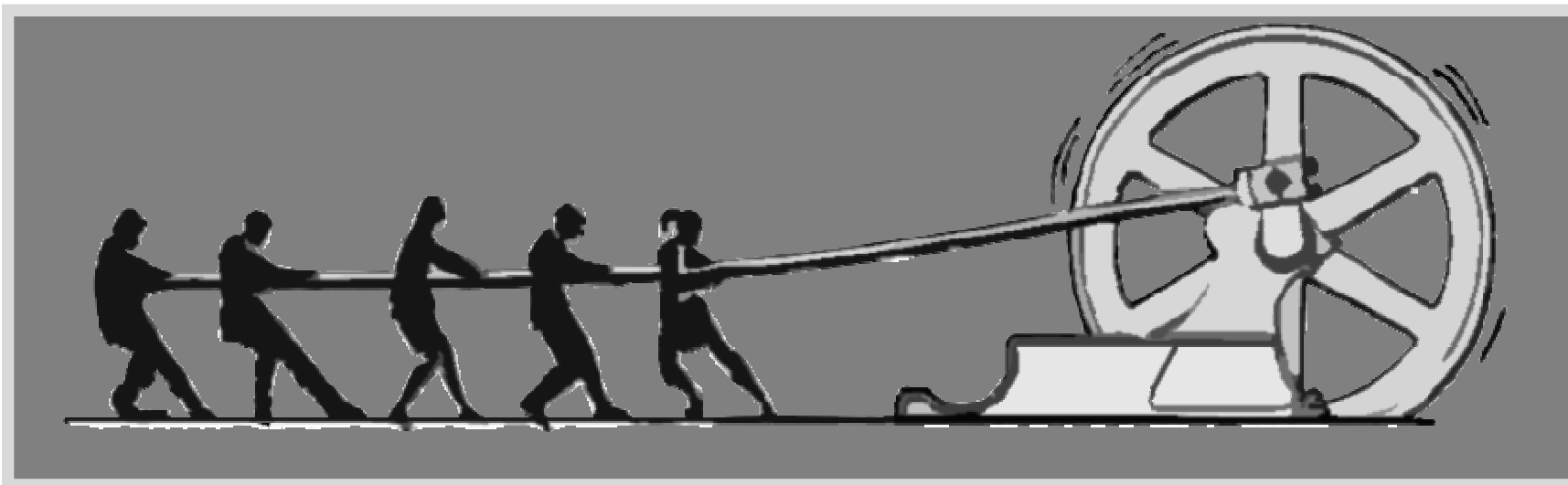
Communicate the
change vision

Empower broad-
based action

30

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Selling change III

Generate quick wins

Consolidate gains and produce more change

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Obtaining the handouts, papers and electronic templates

Password: futureready

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Five steps you can do

- Read a chapter or two a week of the paradigm shifters
- Access the articles and the two IBM whitepapers
- Re-engineer your month-end to free up time
- Prepare your burning platform elevator speech and your "change" presentation (with PR help)
- Organise your visits to sites using 21st century software (planning tools, document management, reporting, performance measures)

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It is time to commit to getting the finance team future ready