
DON'T GO DOWN WITH THE SHIP

When will those in finance stop accepting the status quo? **David Parmenter** urges everyone to raise questions and push boundaries and abandon the broken processes and systems to make way for the new



Management guru Peter Drucker could, by some, be considered the Leonardo da Vinci of management - I believe he will be better understood and respected 400 years after his life than now. He frequently said that abandonment is the key to innovation - I consider these pieces of advice to be one of his most important: "Don't tell me what you're doing, tell me what you've stopped doing."

He also passed on some meaningful advice:

- "If leaders are unable to abandon yesterday, they simply will not be able to create tomorrow."
- "Without systematic and purposeful abandonment, an organisation will be overtaken by events. It will squander its best resources on things it should never have been doing or should no longer do. As a result, it will lack the resources needed to exploit the opportunities that arise."

From a young age we carry a fear of admitting to be wrong. It affects our personal life, in some cases delaying moving house or staying in dead-end jobs or relationships for too long. We do this partly because we're scared to admit to the world that we have made a mistake. The longer we stick with something in the hope that it will right itself, the harder it becomes to abandon. We hope to improve matters so that we can then say, "I told you so" to our family and colleagues.

If I were to go into a reader's garage, what would I find? An exercise machine that started off life as the buyer imagined a leaner physique? But despite good intentions, after just a couple of weeks it started its inexorable journey to the garage, there to rest under the dust cover for the foreseeable future.

In the world of commerce this trait is equally damaging. We will hold on to systems, keep going with projects, keep writing that report that nobody reads, just because to stop would mean losing face. I propose we just get over it.

STOP SAVING FACE

Far too often we accept antiquated practices within the corporate accounting repertoire as the status quo. If the medical profession used our approach, we would

not have as many medical breakthroughs. The corporate finance model needs to be open to new thinking and adopt procedures that have proven effective for others.

Steve Jobs, co-founder of Apple, believed that few in management thought deeply about why things were done. He came up with a quote that should be on the walls of every finance team's work station: "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 others' opinions drown your own inner voice."

Jobs, like Drucker, saw abandonment as a key step to freeing the talented people within an organisation for innovation - they both believed that we should adopt systematic abandonment.

Drucker posed some key questions to us, which I have altered to suit a finance team perspective:

- If you were starting up a finance team month-end reporting process would you design it as you currently have it?
- Are your highest achieving finance staff propping up a broken system?
- Have you set abandonment dates for all your current finance systems?

ABANDON BROKEN PAST METHODS

In finance, many processes are blindly followed year-in, year-out just because it's the way things have always been done. When staff question the process, the CFO or financial controller will often answer that it is required by the board or the senior management team, but how many accept the challenge and pass the request upwards?

Processes that finance management teams need to consider abandoning, and some alternative solutions to the processes, include:

- using spreadsheets for consolidating, annual planning and forecasting;
- putting the organisation through an annual planning process that has been broken for centuries - replace it with quarterly rolling planning (visit *Finance & Management Special Report* 47 Dec 2014);
- spending more than a week for the month-end process - employ rapid month-end reporting (visit *Finance & Management Special Report* 50 Sept 2015);
- issuing a lengthy monthly finance report when an A3 page could suffice;
- long reports that are either not read or lead to no action;
- setting monthly targets from the annual plan - these are better set a quarter ahead, when more is known;
- receiving paper-based invoices from key suppliers when they can supply G/L coded electronic input;

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- having hundreds of account codes for the P&L - attempt to keep these to 50 in total;
- budgeting at the account-code level - we never needed a budget at the account code level to control expenditure as viewing actual trend analysis is better every time;
- paper based board papers when electronic board paper systems offer so many benefits; and
- broken meetings, especially the Monday morning team debrief - nobody comes skipping to work thinking, "I am so looking forward to the meeting". Instead, replace it with a stand-up 15-minute scrum meeting wherever possible and hold them in the afternoon.

More information about getting a team 'future ready' can be found at tinyurl.com/FM-Parmenter, and also in previous F&M material at tinyurl.com/fmftopics

ENCOURAGING INNOVATION

I believe the top five areas to innovate for a finance team are:

- Bringing the month-end to day three at the next month-end and then by day two in the next six months. Day one will be achievable within a 12-18-month timeframe as long as your systems are in the 21st century.
- implement a planning tool - all tools will be superior to an Excel model;
- streamline your annual planning process down to two weeks;
- constrain the year-end accounts and audit sign-off to the first three weeks of the new year; and
- invest time in upgrading accounts payable - start by signing up for a purchasing card system with your bank and acquiring a web- or mobile phone-based expense claim system.

COMMENCING ABANDONMENT

One way of embracing Drucker's abandonment methods is to earmark one day a week for abandonment meetings at every managerial level. Each session would target a different area so that over the course of a year everything is given the once-over. Every organisation should have an abandonment

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key performance indicator measuring the number of abandonments that have been made around the organisation in the last week. Teams that embrace abandonment would soon get the CEO's attention and acclaim.

The act of abandonment gives a tremendous sense of relief to the finance team, for it stops the past from haunting the future. However, it takes courage and conviction from the CFO. Knowing when to abandon and having the courage to do so are important leadership attributes.

NEXT STEPS

- Read a chapter or two every week from Elizabeth Haas Edersheim's *The Definitive Drucker* and Jack Welch's *Winning*.
- Organise your visits to sites using 21st century software (planning tools, electronic board paper tools, reporting tools).
- Hold a debrief after each month-end and get each finance staff member to suggest at least one abandonment. If the team members present cannot prove the need for the procedure, abandon it. ■



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