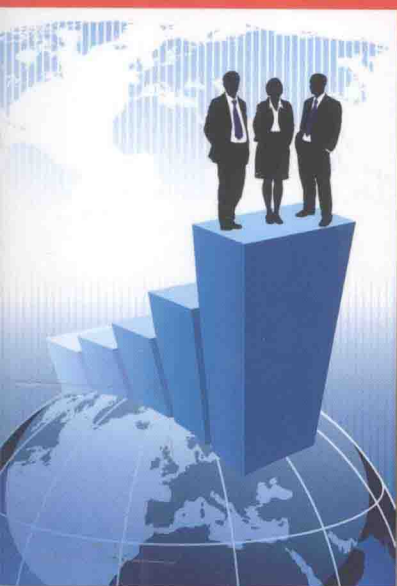


Wiley Corporate F&A

THIRD  
EDITION

THE  
FINANCIAL  
CONTROLLER AND  
CFO'S TOOLKIT



Lean Practices  
*to Transform Your  
Finance Team*

*includes a PDF toolkit*

DAVID PARMENTER

WILEY

# The Financial Controller and CFO's Toolkit

*Lean Practices to Transform  
Your Finance Team*

Third Edition

DAVID PARMENTER

WILEY

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The second edition of this book was published in 2011 under the title *Winning CFOs: Implementing and Applying Better Practices*. The first edition was published in 2007 under the title *Pareto's 80/20 Rule for Corporate Accountants*.

Published simultaneously in Canada.

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# About the Author

**D**avid Parmenter is an international writer and speaker who is known for his engaging presentations and practical and informative books. His workshops have created substantial change in many attendees' organizations. David is a leading expert on lean finance team practices, rolling forecasting and planning, and the development of winning key performance indicators (KPIs). His work on KPIs is recognized internationally as a breakthrough in understanding how to make performance measures work. He has delivered interactive workshops in 31 countries over the last 20 years. David has worked for Ernst & Young, BP Oil Ltd., Arthur Andersen, and PricewaterhouseCoopers, and is a fellow of the Institute of Chartered Accountants in England and Wales. He is a regular writer for professional and business journals.

This book is a follow-on from *Pareto's 80/20 Rule for Corporate Accountants and Winning CFOs—Implementing and Applying Better Practices*. He is also the author of *Key Performance Indicators: Developing, Implementing and Using Winning KPIs*, *Key Performance Indicators for Government and Non Profit Agencies: Implementing Winning KPIs*, and *The Leading-Edge Manager's Guide to Success* (all from Wiley).

David Parmenter can be contacted via [parmenter@waymark.co.nz](mailto:parmenter@waymark.co.nz) or on +64 4 499 0007. His website, [www.davidparmenter.com](http://www.davidparmenter.com), contains many white papers, articles, and freeware that will be useful to readers to implement change.

# Testimonials

**W**hat can you expect from this book? Why not read these testimonials on David Parmenter's previous edition of this book and on his workshops and key note addresses.

## **Praise for the book "Winning CFOs" (the second edition)**

*Mr. Parmenter has created yet another fine management reference tool with his Winning CFOs book. It reveals how a CFO can be a better manager, and run an accounting and finance function that delivers world-class results. Highly recommended reading for the CFO who is committed to self-improvement. Steven M. Bragg, author of Accounting Best Practices*

*In this timely book, David Parmenter provides CFOs and their finance colleagues with a number of practical guidelines that will enable them to spend less time on the basic accounting routines and more time adding value and becoming a valued business partner. Jeremy Hope, author of Reinventing the CFO*

*The CFO can make a major contribution to value creation by the use of information focusing on the critical value drivers in the business. These practical tools and techniques will be invaluable to the busy CFO.*

Ken Lever, CFO, Xchanging plc

## **Praise for the "Lean Finance Team Processes" workshop**

*We attended David's course on "Winning Finance Teams" and we have had instant success with our Flash report. My Accounting team managed to get the flash report for November completed by 4.00pm on the second day. The workshop gave us the tools and the mindset to achieve this result. Ron Milne, General Manager Finance, Enware Australia Pty Ltd*

*The three main highlights for me from attending David Parmenter's "Winning CFO" were; David's tight and punchy delivery style, access to soft copy templates to customise and implement in my organisation, and breakout sessions at the end of each*

section. Amanda McPherson, Director of Finance, Melbourne Convention Exhibition Centre

*One of our team members attended your lean finance team processes one-day workshop in Sydney and from that we have: reduced our monthly management report (approximately 30 pages) to the A3 report template from the course, shortened our month end process, run daily stand -up meetings (scrums) for those still involved in the month-end process. Kelly Simpson, Australian Financial Controller, Harcourts*

These workshops are now available as recorded webinars, see [www.davidparmenter.com](http://www.davidparmenter.com) for details.

### **Praise for David Parmenter's key note addresses**

*David Parmenter held a keynote speech and an in-depth session at our two main events (Copenhagen & Tampa, USA). He is a very inspiring speaker with some interesting topics on his agenda. He delivers his messages in a controversial and humoristic way. His session rated as number one among all speakers. Maj Nedergaard, Research & Campaign Manager, Targit*

*David Parmenter gave a key note address at our one-day Management Accounting Conference. The audience gave him the highest ratings with comments such as "Best speaker ever, thoroughly enjoyed it." Jess Vailima, Conference Coordinator, New Zealand Institute of Chartered Accountants*

*The two presentations delivered at our annual conference were superb with a high degree of satisfaction from the attendees. Not only were the sessions entertaining they contained profound messages. The electronic templates that David provided attendees have been worth the attendee's conference fee! Carolyn Campbell-Wood, Chief Financial Officer, Australian Medicare Local Alliance*

# Introduction

I am convinced that corporate accountants, as professionals, want to leave a legacy before they move on. To be remembered they need to have made a permanent improvement to the organization.

Many finance teams are merely processing machines, moving from one deadline to the next, having too little time to invest in being a business partner to budget holders and senior management.

I know this from observation and my own personal experience.

## THE THIRD VERSION

This book is a third version, as it follows on from *Pareto's 80/20 Rule for Corporate Accountants* and *Winning CFOs: Implementing and Applying Better Practices*. The book has been restructured to facilitate easier implementation and is accompanied with a 100-page toolkit. The reader can access, free of charge, a PDF of the suggested templates, checklists and templates from [www.davidparmenter.com/The\\_Financial\\_Controller\\_and\\_CFO's\\_Toolkit](http://www.davidparmenter.com/The_Financial_Controller_and_CFO's_Toolkit).

The better practices in this book are ignored at your peril, as they are based on the wisdom and better practices of over 5,000 accountants whom I have met through delivering my workshops and webcasts around the world.

I would like to add that few, if any, of these practices were used by me when I was a corporate accountant; thus senior management did not shed a tear when I left the organization. It is my mission to ensure CFOs, financial controllers, and management accountants leave a legacy that remains long after they have left the organization.

**David Parmenter**

**Writer, Speaker, Facilitator**

**Helping organizations measure, report, and improve performance**

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15 September 2016

Dear CFO and Financial Controller,

### **Invitation to leave a profound legacy in your organization**

This book will cover the better practices that will have a profound impact on the way your finance team functions and help you make a difference as a **leader** and **business partner**. Do you find yourself and your team locked up in the past as historians, still trapped by the archaic annual planning process, constantly fighting fires, and unappreciated by the organization at large? If so, the panacea for you is here.

This book is written from the standpoint of an accountant and observer. It is a book that you need to read before you pass it down to your direct reports. Far too many CFOs have passed on the responsibility of keeping abreast of 21st century lean finance team methods to their younger accounting staff. While the detail is the domain of the younger corporate accountants, continuing learning is a duty that all of us need to shoulder.

This book is designed to transform your contribution, increase your job satisfaction and profile in the organization, and help you leave a legacy in every organization you work for. Please, would you at least read the following chapters:

- Chapter 1 Getting Your Finance Team Future Ready
- Chapter 2 Leading and Selling the Change
- Chapter 10 Lean and Smarter Work Methods
- Chapter 11 Effective Leadership—Growing and Retaining Talent
- Chapter 16 Implementing Quarterly Rolling Forecasting and Planning
- Chapters 17 Finding Your Organization's Operational Critical Success Factors



- Chapters 18 Getting Your KPIs to Work
- Chapter 20 Performance Bonus Schemes

Invest 45 minutes of your time to make use of the support materials (webcasts, electronic templates) on [www.davidparmenter.com](http://www.davidparmenter.com).

I am hopeful that someday in the future we will meet, whether it is at a course or over a coffee. It is my fervent wish that you will be able to say, "I used this book to make a difference." It will mean that both you and I will have left a legacy.

Kind regards,

David Parmenter

## HOW TO USE THE BOOK

This book is divided into six parts and appendices. Exhibit I.1 explains the purpose of each section.

## THE PDF TOOLKIT

With all my books there is a heavy focus on implementation. The purpose is to prepare the route forward. To second guess the problems the finance team will need to address and set out the major tasks they will need to undertake. Naturally, each implementation will reflect the organization's culture, future-ready status, and the level of commitment from the CFO and his or her direct reports.

The PDF toolkit is to be read and used in conjunction with *The Financial Controller and CFO's Toolkit—Lean Finance Teams' Best Practices*. The location of the templates is indicated in the relevant chapters.

To support your implementing the strategies and best practices in this book, the following electronic media are available:

- Webcasts and recorded presentations (see [www.davidparmenter.com/webcasts](http://www.davidparmenter.com/webcasts)). Some of these are free to everyone and some are accessed via a third party for a fee.

**EXHIBIT I.1** Book Outline

<b>Section</b>	<b>Outline</b>	<b>Significance</b>
Part I: Change—why the need and how to lead	Covers why there is a need to change and move away from the existing practices. Includes how to sell change to management and staff and lead the change in the organization.	Far too often, change initiatives fail. By following the leading thinkers in this space, John Kotter and Zaffron and Logan, you will be successful in leading the change.
Part II: To be completed before the next month-end	How you can save days out of the month-end close process.	A fast month-end is the first step on the journey to adopting lean finance team practices.
Part III: Technologies to adopt	Focuses on the technologies you need to implement to achieve efficiency and accuracy.	Removing the reliance on Excel spreadsheets that are unsuitable, in order to move forward with appropriate solutions.
Part IV: Progress you need to make within the next six months	Focuses on the areas where the finance team can score the easy goals in the next six months.	The better practices here, if implemented, will free up time so more strategic initiatives can be executed successfully.
Part V: How finance teams can help their organizations get future ready	Focuses on more wide-ranging changes, such as introducing winning key performance indicators and quarterly rolling planning, which will require a heavy investment of time from the finance team.	These modern initiatives will have a profound impact on your organization, with the finance team as the driver of change.
Part VI: Areas where costly mistakes can be made	Focuses on areas where the CFO can and should save the organization from making costly mistakes, such as performance bonus schemes, takeovers, reorganizations, and downsizing.	The CFO's involvement in these strategic issues will have an extensive positive effect on the organization as a whole.
Appendices and the PDF toolkit	The appendices include useful letters and rules for a bulletproof presentation. The companion PDF toolkit is filled with templates and checklists.	These templates, guidelines and diagrams will kick start the implementation process.

- A PDF download of the checklists, draft agendas, questionnaires, and worksheets referred to in the chapters are available from [www.davidparmenter.com/The\\_Financial\\_Controller\\_and\\_CFO's\\_Toolkit](http://www.davidparmenter.com/The_Financial_Controller_and_CFO's_Toolkit). The website will refer to a word from a specific page in this book that you need to use as a password to access these free.
- The electronic versions of all the templates and most of the report formats, featured in the book, can be purchased from [www.davidparmenter.com](http://www.davidparmenter.com).

## REPORTING HISTORY OR MAKING IT

The impact of the efficient and effective practices listed in the book will, if implemented, make a major change to the nature of work performed by the accounting team. There will be a migration away from low-value processing activities into the more value-added areas such as advisory, being a business partner with budget holders, and implementing new systems.

As Exhibit I.2 shows, the change in focus should mean we are working smarter, not harder. This change in workload will, over time, lead to the

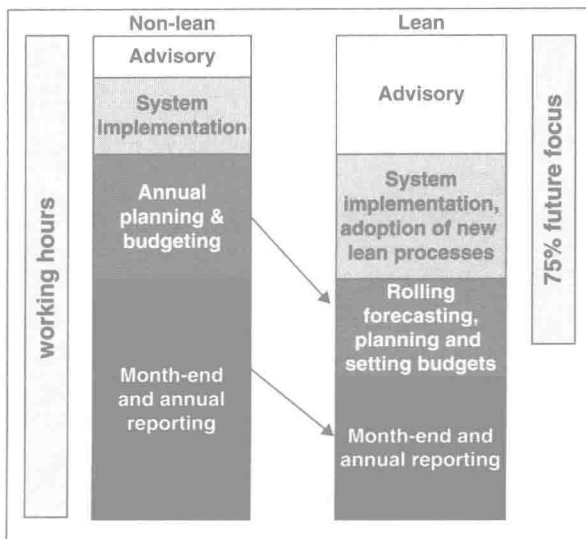
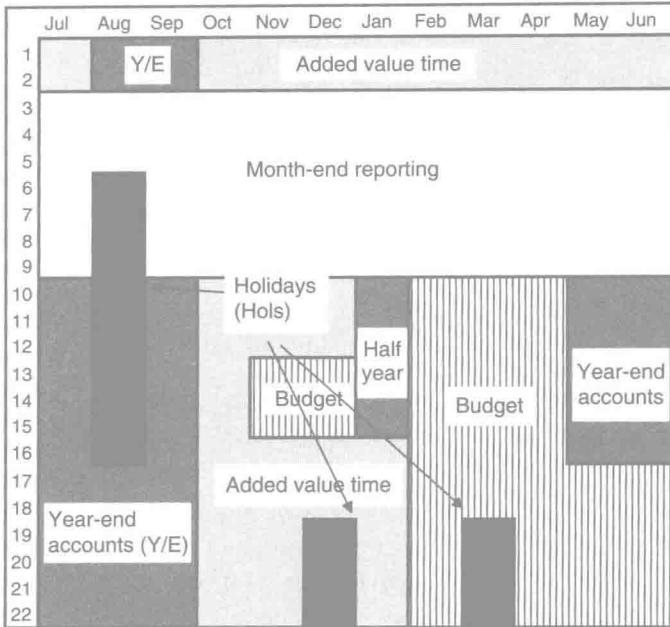


EXHIBIT I.2 Impact of Working Smarter, Not Harder



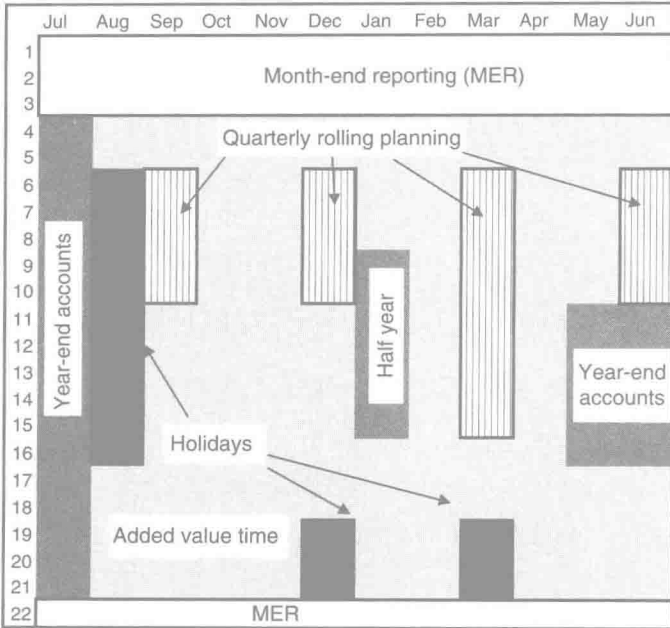
**EXHIBIT I.3** The Year’s Workload of a Non-Lean Finance Team (Based on a June year-end in the Northern Hemisphere)

formation of a smaller but more experienced accounting team and a better work–life balance.

In many finance teams around the world, far too much time is spent in month-end reporting, the annual accounts, and the annual planning process, as shown in Exhibit I.3. I call these three activities the trifecta of lost opportunities for the accounting team. They leave so little time to add value.

Exhibit I.4 shows how the year’s workload will change with shift away from processing into more service delivery work (based on a June year-end in the Northern Hemisphere). The key change is to radically reduce the time the accounting team spends in the trifecta of lost opportunities.

The better practices in this book will approximately double the amount of “added value time” you and your team have.



**EXHIBIT I.4** The Year's Workload of a Lean Finance Team (Based on a June year-end in the Northern Hemisphere)

# Acknowledgments

I would like to acknowledge all those accountants who have shared their better practices with me during workshops I have delivered around the world. This book is about their successes; I am merely the communicator.

This book has been influenced by the great writers who have led my thinking. I would especially like to acknowledge the late Jeremy Hope, who was an invaluable mentor for over 10 years, and the finance teams whom I have worked with.

A big thank you to all those who have collaborated on this book and my colleagues (Jennifer and Francesca). A special thanks goes to my wife, Jennifer, who proofread the original submission.

To all of the abovementioned people and all the other people who have been a direction in my life, I say thank you for providing me with the launching pad for the journey I am now on.





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