

Better practice studies and what they can do for your organisation

Better practice studies and benchmarking studies are two ways for organisations to measure their effectiveness and the level of service they are providing to internal and external clients.

Better practice studies are often confused with benchmarking studies, an unfortunate mistake that leads many organisations that could gain substantial benefits from participating to overlook them.

In brief, benchmarking studies focus on quantitative measures and thus organisations can assess where they are in the ranking, i.e. what percentile they are at. Such studies require good information systems and a substantial commitment in time, in liaison with fellow participants, fine tuning definitions and collecting comparable data. For example, even the definition of an employee needs to be agreed upon.

What is a better practice study?

A better practice study is a systematic process for evaluating work processes. Participant organisations that are achieving efficiencies or have implemented innovative processes are interviewed to verify findings and to gather facts about how the success story came about.

Better practice studies analyse the practices organisations are using and an evaluation is made as to which are the better practices. Information is gathered via a questionnaire and interview. As involvement takes between 1-2 hours for participants, this is far more efficient way of measuring one's effectiveness.

Why join a better practice study?

Participants use better practice studies to:

- find out where their function should be going and what it should be doing;
- find out what new processes are producing results;
- help sell the change within their function and organisation; and
- get there quicker by replicating successful practices.

Many participants also want to find out how the service mix within their function can maximise value to their clients - how their function can get a "thumbs up" rating from everyone from the CEO down. Often the best way to learn is to replicate or be inspired by the innovative practices from other accounting functions.

The question often asked is should I compare our accounting function internationally? The answer is clearly yes when you have matched the better practices that already exist in New Zealand. Remember that many New Zealand functions are already benefiting from overseas examples: many of your peers have worked abroad and have brought the better practices with them. Another issue is that leading companies are looking to gain from information sharing as much as any new participant in a better practice study. Thus they need participants who have something to offer.

When is the best timing?

Better practice and benchmarking are all about continuous improvement. They benefit accounting functions at all stages of their development by showing them how to migrate to more added value services.

Some good times to participate

When you :

- are looking to change the accounting system
- want to improve month end reporting
- are looking to streamline accounts payable procedures
- want confirmation of achievements
- have a long 'To Do' list of improvements

Often a sensible idea is to visit sites that are outside your sector. Why not learn from the team who had successful implementations? You may even be able to track down the appropriate contractors to help you with the implementation.

Instead of reinventing the wheel why not look at a collection of better month end reports formats so you can incorporate those better practices? Better practice studies often have excellent templates to work from.

E-commerce, and the banking system are providing great opportunities to streamline accounts payable. Many organisations have already made great progress and talking with them will save you time and consultancy fees.

A common trait we have found is that the better accounting functions get better quicker. They are hungry. Participation in a better practices exercise is also a useful, authoritative reminder to "leading edge" accounting functions of how much they have already achieved.

If you have a long to "do list" you have the most to gain from participation. Why change something only to find that you have not set the goal post in the right place or indeed high enough? A company with month end reporting by working day 10 may not realise that working day 3 is possible: or even that some functions participating in our studies are already visualising day one reporting.

Five better practices that will make a difference

1. **Take your accounting team off site** once every six months for a one day meeting. The agenda could include, refocusing corporate goals, finance goals, internal client feedback (e.g. results from a telephone survey), followed setting of team and individual KRAs.
2. Look at ways to make **a radical reduction in the managerial time spent in the budget process**. This often goes hand in hand with a better forecasting regime. Investment in technology may be useful as there are better solutions than consolidating a vast number of Excel spreadsheets. (see article in the Chartered Accountants Journals, June 1998)
3. **Develop an "account management culture"** within the accounting function, ensuring that team members are focused towards creating value for internal clients.

4. **Provide more frequent performance feedback and** introduced 360 degree feedback for accounting managers in the accounting function you can do it for yourself and your accounting managers. (see article in Human Resources, December 1999)
5. **Tighten up month end processing** by closing all ledgers on the last working day and set a goal initially of 5 working days with preliminary results to CEO by the 2nd working day (see article in the Chartered Accountants Journal, July 1998)

Do not get sucked into sector navel gazing

Probably the greatest waste of benchmarking resources is sector navel gazing, ignoring that fact that there is comparable data available from many other sectors.

Unlike other studies that only compare data from functions within one sector, all the waymark studies are cross sector based, so you're able to get ideas from a wider range of functions. Often it's the examples from companies totally different to yours that point the way forward to new and more effective methods. Our experience indicates that studies that compare different functions in the same sector don't have the same wealth of new ideas, that a cross-sector study like ours uncovers.

One is reminded of the North American airline that wanted to turn its aeroplanes around quicker. Instead of travelling the world, clocking up many flying miles and visiting alliance partners, they thought "outside the square". They turned to a team that thought a second wasted was a travesty - a formula one pit crew. Instead of shaving off minutes they shaved off an hour.

Barriers to change include

- **over-involvement in processing rather than adding value**
- **lack of pressure from senior management**
- **lack of better practice knowledge**
- **buy-in from staff**

Much valuable management and accounting function time is invested in processing and reporting rather than advice and effecting change. Functions can get caught up in a culture of record-keeping for record-keeping's sake. Implementing better practices requires you to reduce the time you have set aside for processing related activities.

Another barrier can be senior management inertia. A senior management team that has not kept up to date with better practice innovations and thus is not aware of areas where their company is falling behind, will accept substandard service and not put any pressure on, say, its accounting team for improvements. Of course, the senior management team will not stay ignorant of better practice forever: sooner or later they will wise up to the service

improvements, such as the time frame for delivering monthly reports, that they have been missing out on. And that's when they start to ask the hard questions of their Chief Financial Officer.

Sometimes the lack of knowledge about better practices is on the part of the accounting staff themselves. Lacking the time to keep up with the latest in management theories, staff members can turn into human dinosaurs, unaware that there are better ways to provide their service and ill-adjusted to a changing business climate. Without any pressure for change from above, functions can stagger on in the same old, half-satisfactory ways, as ill-adjusted to changes in climate as the original dinosaurs were. Taking part in a better practice study is a relatively quick way to bring staff members and the senior management team up to speed on better practice as a management philosophy and as a collection of useful ideas that can help improve their working efficiency and effectiveness.

Another barrier can be support from staff members. Instituting meaningful change requires the support of all staff members, not just management. Managers need to make a case for changing practices that seemed to have worked well enough in the past. As the saying goes, "you can lead a horse to water, but you can't make it drink". One can try to force changes on staff members, but unless they are behind them, changes will be cosmetic and not lasting. The findings in better practice studies are the perfect ammunition to convince staff of the necessity for change, highlighting better ways to do things and instituting a culture of continuous improvement and learning.

Last words

- **better accounting functions get better quicker**
- **make innovation and initiative key competencies for your next recruitment round**
- **functions are willing to share their better practices**
- **take your accounting staff to better practice sites and watch the result**

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