

So you want to sleep at night!

Blue-Plate consultants have been having a soporific effect on the UK's finance directors in both the public and private sectors. How does a FD and fellow directors get any sleep, when they have to work out what SarBox means, agitate over whether the shareholders' or taxpayers' money invested in the latest project represents value for money or what effect spreadsheet errors may have on the reported accounts and management information.

These are some of the issues that Blue-Plate's management consultants have been working on with clients. Still not sure what Sar-Box is, then read a starter for ten on page 2; worried about spreadsheets then learn on page 2 why you

should be even more worried; want to know where to start with process design then see page 4.

What brings all these issues together is that they are all concerned with financial management and are interdependent. Too often, it is the symptoms of a financial management problem that are attacked in isolation without understanding the cause of the problem and the linkages between an organisation's processes, systems, structures and people management strategies. However, understanding the patient, carrying out an examination and making a correct diagnosis is the first step to planning and administering treatment to regain health.



Get a good night's sleep!

The same is true of business problems and an organisation's financial management competence. If you need help sleeping at night, give Blue-Plate a call and at least get to go home.

"It is not necessarily the strongest of the species that survives nor the most intelligent, but the one most responsive to change" – Charles Darwin

Sorry it's a secret

A number of Blue-Plate projects in both the public and private sector are subject to explicit confidentiality agreements or the very wide ranging official secrets act. Blue-Plate does of course respect the legal and security clear-

ance obligations imposed upon us, as well as the commercial etiquette of client confidentiality. However, your intrepid correspondent's first brush with the official secrets act was almost thirty years ago while engaged on the audit of

the Horserace Totalisator Board. It remains a mystery to me as to what official secrets I was party to, but rest assured if I learnt any secrets, wild or thoroughbred horses couldn't drag them out of me.



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Special points of interest:

- Understand the difference between SarBox and Starbucks
- Transforming finance from a function to an organisational competence.
- Spreadsheets –help or hindrance?
- Miscommunication –why?

It's SarBox not Starbucks

Smelling the coffee at Starbucks may feel good but don't confuse it with the American Competitiveness and Corporate Accountability Act 2002 known more colloquially as Sarbanes-Oxley (SarBox or Sox) after its two congressional sponsors.

SarBox is a reaction to corporate frauds such as Enron and Worldcom which were due to a management conspiracy and a complete lack of a meaningful internal controls and governance regime.

Section 404 of the act requires management to set-up an appropriate system of

internal controls and that this is attested to by auditors in their annual report.

Although the act only applies to US companies that are listed on the US Stock Exchange and their subsidiaries worldwide it is also prompting large organisations that are not covered by the act to review their internal controls and governance arrangements.

The issue for internal controls is that they need to be built into business processes and systems and not bolted on as an afterthought. This may seem like common-

sense and good business practice, but business processes often evolve piecemeal without reference to a business and process architecture and design principles.

The wake-up and smell the coffee time for management is to strike an appropriate risk assessed balance between the cost and disruption of process redesign and implementation and the potential exposure to losses through fraud and error.



Wake-up to the smell of SarBox

Spreadsheet Anarchy?

Excel has freed accountants from their pads of analysis paper, but the ubiquity of Excel also poses a hidden risk due to errors. Recent research by professor Richard Panko of the University of Hawaii estimated that 91% of spreadsheets used in business contained errors. With the proliferation of spreadsheets being used to produce final accounts, budgets, management information as well as supporting schedules the risk exposure and potential for serious mishap can be enormous.

However, there are strategies that can be implemented to reduce and manage the risks. These range from negating use of spreadsheets by concentrating developments on the core business and finance systems through to implementing the same types of development standards for spreadsheets as would be applied to any other IT development. Most organisations may not think they have a problem until the spreadsheet guru leaves and someone else has to try and understand

and manage the spreadsheets they left behind. If you have at least mastered VB Macros, pivot tables, linking spreadsheets and if-then-else statements you may just be OK.

“Richard Panko of the University of Hawaii estimated that 91% of spreadsheets used in business contained errors”

Blue-Plate is an IMC Registered Practice

The Institute of Management Consultancy is the UK's leading professional body for management consultants setting the standards for professionalism and competence. Members abide by the Institute's code of conduct and can work towards becoming a Certified Management Consultant which is the only recognised award for competence in the UK. As an IMC regis-



tered practice Blue-Plate undertakes to ensure that all client engagements are:

- led by qualified Certified Management Consultants
- covered by an appropriate level of professional indemnity insurance
- resourced by consultants with relevant recent experience

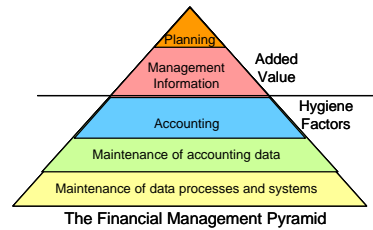
- carried out in accordance with the IMC's code of conduct and ethical guidelines.

These standards are of course in addition to ensuring that consultants are technically qualified, competent and able to facilitate the solving of a client's problems. Blue-Plate consultants get their buzz from exceeding client expectations not just meeting them.

What is Financial Management?

Financial Management (FM) is one of those terms that is so much a part of the common lexicon of management speak, that the scope and extent of its meaning is overlooked on the misguided assumption that there is a common understanding. Nothing could be further from the truth as there are probably as many definitions of FM as there are people who use the term. However, as a practicable consulting aid, Blue-Plate uses the metaphor of a Financial Management pyramid to illustrate one view of the scope of FM, building up from a solid foundation of processes and

systems through to planning, forecasting and managing the business activities. The hygiene factors of basic record keeping, regulatory and finance function activities are like plumbing, only appreciated when things go wrong. What most



businesses increasingly demand are added value timely and accurate performance management information on which to base future plans and to consider options regarding strategic decisions for the effective use of resources. FM is far too important to be left to the accountants and must be considered in the context of a set of competences which are completely integrated into an organization's business processes, systems, structures and human resource strategies. Like a pyramid, getting to the FM pinnacle can be an exhausting climb!

Read This.

No matter how large or small an organisation, staff inevitably complain about poor communication. This is despite the prevalence of sophisticated communication mechanisms such as email, intranets, video conferencing and regular management cascade briefings.

The consensus view within Blue-Plate is that the reasons for poor communication can partly be ascribed to:

- A lack of understanding of what

communication is supposed to achieve and the processes involved.

- lack of clarity and understanding about corporate objectives and strategy
- lack of honesty and openness by all parties involved, especially in

times of accelerated change

- communication being only one way
- lack of sufficient face to face time.
- a scattergun rather than targeted approach to emails

Sorry, a lot more to say but run out of space....

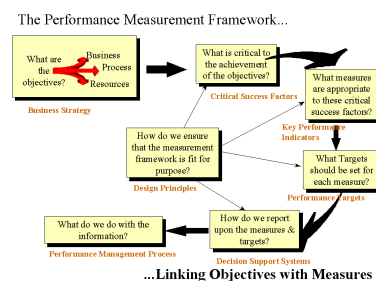
“The biggest problem with communication is the illusion that it has been accomplished” - George Bernard Shaw



The Performance Measurement Framework

The balanced business scorecard, KPIs, strategy— where to start?

Blue-Plate's Performance Measurement Framework model links business objectives to the interventions needed to manage their achievement and gives managers a key to relating the concepts with the practical steps they can immediately take to develop their own performance measures.



The framework is made-up of a series of

provocations linking business objectives with performance measures. Each of the provocations is addressed by practical approaches and quality assured by the pre-determined design principles.

Let us know if you can use it or need further help.



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● the people who create value for business

If you wish to discuss any issues raised in this newsletter or explore ways in which Blue-Plate can help your organisation then in the first instance contact Jeff Herman.

Blue-Plate Consulting specialises in financial management issues within the public and financial services sectors, providing a truly independent and viable alternative to the big consulting firms. Our core competencies are in financial management, business and process architecture and design.

Blue-Plate's scalability of talent, skills and the use of only experienced management consultants and qualified accountants provides clients with top class consulting delivery. Clients appreciate that they only pay for the consultants actually working on the project and not for additional account management overheads that are typical of the large consulting firms.



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Listen with mother...

Once upon a time..... there was an organisation. Processes were developed to meet its particular needs and everything was good. But, over time the organisation grew, responsibility for these processes were divided among many departments and additional checks and balances were put in. Little pools of bureaucracy began to develop – one signature was replaced by two forms, now in triplicate. Patches were put upon patches and no one really knew what was going on. Focus on the external customer was lost.

Business processes became ineffective, out of date, overly complicated and irritating!

You may find the above 'story' familiar! Given the above, it may immediately seem sensible to undertake a programme of business process improvement. However, before modifying any single (or multiple!) element of a business, we believe it to be a business imperative to 'understand' how the business 'fits together', 'understand' where the connec-

tions are and importantly, '**understand**' how changing one part of the business will impact another. In that way change is managed and benefit can be realised by good judgment, rather than good luck! Benefit realisation becomes repeatable because you will not only '**know**' what you did, and when you did it, but you will be able to '**understand**' your business dynamics and respond to the impact on business performance.

" Any fool can know. The point is to understand. "Albert Einstein

Building an organisation is much like the process for building a house. However, in the rush to design business processes it is too easy to start metaphorically bricklaying, plumbing and cabling rather than spend the time on the architectural drawings designing the objectives, function and form of the organisation and how it all fits together. Any process design

must start with clarity about the corporate strategy, customer value propositions, process objectives and the design principles and goals. It is at this stage that you start to design in the internal controls to provide efficient and quality controlled operations. In these times of increased legislation, there is still the opportunity to improve and streamline business processes and business rules without compromising probity; in fact greater bureaucracy can aid rather than prevent malpractice.

An architectural approach will ensure that you don't fall into the trap of ending up somewhere else because you don't know where you are going!

