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Is the mainframe dead?

Choosing a general ledger package

Accountants' role in the age of IT

Automating the business process



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Measure it to improve it

Measurement is an integral part of improving quality and productivity. In fact, it's often said if you can't measure it, you can't improve it.

Measurement is often associated only with production floor activities and many companies incorrectly believe white collar and knowledge workers can't be effectively measured. As accountants, we often support this notion by failing to measure our own efforts.

The fact is, the performance of accounting functions can be measured. Several years ago, the American Productivity & Quality Center published an important work entitled "The Master Measurement Model of Employee Performance," which specifically included accountants and accounting departments. Companies contributing to this work included the Hertz Corporation, ITT and Northwest Airlines. Findings of this model included the following:

Accountants' services/products

Accountants traditionally perform five distinct services: financial reporting and records; cost accounting; cash management (including payables and receivables); auditing, and tax management.

There are basically two types of products: routine reports and special reports.

Accountants' customers

Company executives are the major customers. Different kinds of accountants, however, serve different kinds of "clients."

Cost accountants provide reports to operating management. Cash management accountants deal with lending banks, key material suppliers and outside customers. Financial reporting specialists work with shareholders and investment bankers. Tax specialists furnish reports to government agencies.

Accountants' objectives

Examples of objectives include:

- Deliver accurate information.
- Deliver relevant information for decision making.
- Complete assigned reports on time.
- Reduce the cycle time of routine reports (the time from receipt of information to issuance of the report).
- Reduce costs of routine reports (indicated by the number of reports completed by the targeted group of accountants).

Greater emphasis must be placed on the measurement of white collar workers — including accountants.

- Improve both the response time and the quality of special reports.
- Improve the thoroughness and relevancy of audits performed by internal audit groups.
- Bring documentation of reports closer to company standards.
- Improve the detection of upstream data errors, that is, poor information from the field.
- Reduce the cost of outside audits (by limiting the need for extra auditing).

Potential measures

Examples of potential measures include:

- Errors found after reports are issued.
- Errors found before reports are issued.
- Percent on-time, routine reports.
- Average cycle time (number of days elapsed — from start to finish) to complete key routine reports.
- Routine reports (weighted by difficulty) per accountant.

- Index rating the response time and quality of special reports.
- Percent computer terminal utilization (this measure shows if the company has the necessary number of computer terminals).
- Outside audit "write-ups" or "zaps," the number of mistakes in procedure (weighted by importance of the procedure).
- Evaluation of both the documentation and timely issuance of reports (performed by supervisors).
- Errors detected in upstream data.
- Total audit cost (internal + external) per year.

Family of measures

After selecting appropriate measurements based on the specific needs, requirements, and emphasis of accounting customers, a family of measures can be established, with an appropriate weighting to reflect the importance of the measure. For example, four measures might be selected and weighed as follows:

- Post-issue error rate25% (errors per issued report)
- Cycle time for routine reports ...25% (in days)
- Special reports index40% (time and quality, measured by a user or executive survey, based on 100%)
- Total audit cost per year10%

Once established, measures should be tracked and posted for visibility. Continuous improvement efforts must be undertaken as a way to improve the quality and productivity of the work being performed by the accounting departments. Established performance measures will document the results of successful improvement efforts. **CMA**

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