

## Improving the Effectiveness of the FASB's Process

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In an effort to create a more efficient and effective organization that better responds to the demands of today's marketplace, the FASB embarked on a project in July 2002 to sharpen its operating procedures, enhance the Board's contributions and better meet constituents' needs. These efforts have produced a nimbler, more robust FASB that continues to strive to produce high-quality accounting standards that support excellence in financial reporting.

To address concerns about the timeliness of its standard-setting process, in 2002 the Financial Accounting Foundation requested that incoming FASB Chairman Robert H. Herz undertake a review of the FASB's operations, process and staffing to determine where greater efficiencies might be gained. Under the leadership of Mr. Herz, the FASB launched its *Process Effectiveness Initiative* to identify and implement better ways to operate.

### Phase I

As the first step in this initiative, an independent process-engineering consultant was hired to guide the Board through a comprehensive review and mapping of its standard-setting process. The aim of the review was to achieve a common understanding of the processes the FASB currently follow, challenge past practices and identify ways to eliminate inefficiencies.

Phase I culminated in adopting a "desired state" throughout the organization and the establishment of four strategic initiatives. Based on extensive input received from across the FASB, a desired state was developed that reflected important existing Board attributes that should be retained as well as changes that were deemed necessary to the FASB's future growth. The desired state was described in a report of findings as follows:

*The FASB is a great place to work—we have superior, high-quality staff, and we work to maintain that level of professionalism. As an institution, we have a strong reputation for both objectivity and independence. We work efficiently and effectively as evidenced by the lack of changes made from Exposure Draft to final Statement, the absence of amendments to recently issued pronouncements, and our ability to meet the challenge of an increased pace of standard setting. We are continuously striving to improve our process and the quality of our product.*

That description clearly communicates the FASB's commitment to being efficient, timely and effective. In December 2002, the Board initially agreed to focus its efforts on four key areas to attain that desired state:

1. Issue identification and analysis process
2. Deliberation process

3. Solicitation of responses to proposals and related analysis
4. Accountability and recognition of Board and staff members.

In choosing those initiatives, the FASB examined areas that provided the greatest opportunity for meeting several important objectives:

- Reduce the length of process
- Enhance the capacity of resources
- Improve accountability
- Improve the quality of the final product.

In addition, the Board wanted to incorporate any resulting changes within two years and be able to later demonstrate measurable results within one year.

### Phase II

Phase II of the *Process Effectiveness Initiative* commenced in February 2003 by addressing the issue identification and analysis and the deliberations initiatives. A team comprising select Board and staff members was assembled to lead those efforts. The first task the team undertook was to draft a purpose statement that clearly outlined the objectives of the team's efforts. The following is the purpose statement:

To improve our overall major technical project process to achieve timely final Statements with no changes from the Exposure Draft as a result of new information. The primary initial strategic initiatives are:

- To improve the Issue Identification and Analysis Process to ensure that Board members have all the information necessary to adequately analyze issues and alternatives prior to the issuance of an Exposure Draft
- To improve the Deliberation Process by significantly reducing the time spent on the process while, at the same time, improving its effectiveness.

To accomplish those goals, the team began the lengthy process of individually interviewing a subset of Board and staff members with diverse levels of experience. Tenures, reflecting the length of time worked at the Board, varied greatly among participants and provided a diverse sample. For example, one interviewee had been a FASB staff member since 1978—five years after the FASB's inception—while another interviewee had considerable accounting industry experience, but had only recently been employed by the

FASB. The participants' range of backgrounds provided rich and diverse perspectives on ways to improve the Board's process and future opportunities for growth.

Once the interviews were concluded, the team reviewed their notes and organized the information into three categories: ideas that could be implemented immediately, referred to as "Just-Do-Its"; those that required new or revised procedures; and those that were outside of the scope of Phase II that would be reviewed at a later date, called "Parking-Lot" issues.

Work began immediately on the Just-Do-Its, and certain ones will be implemented before the end of the third quarter of this year. Examples of those are:

1. Guidelines for external reviews of our proposed and final standards (while in the drafting stages)
2. Procedures for reviewing the impact of the Board's tentative decisions on related U.S. accounting literature (EITF, AICPA and SEC) and including that information in the Exposure Draft
3. Guidelines for drafting all sections of the proposed or final standard during the course of deliberations (as a milestone or group of related issues is resolved) rather than waiting until deliberations are completed.

Currently, the *Process Efficiency Initiative* teams are focused on the larger, more complicated ideas to achieve the Board's strategic initiatives. Several specific steps will be taken, including overhauling how and when the Board involves constituents in its process, creation of an ongoing training program for both new and continuing staff and adding more structure to our education sessions and board meetings. Each of the adjustments to the FASB's process shares the same theme: getting the right information, on the right issues, at the right time.

### **Commitment to Continuous Improvement**

Before the FASB embarks on the next phase of its *Process Efficiency Initiative*, the Board plans to reassess whether it should pursue the remaining two identified initiatives or begin addressing other issues, including those in the Parking-Lot category. Importantly, the FASB's efforts will not end there. Just as business transactions are ever changing, the FASB recognizes that the process by which standards are set to govern those business transactions should be improved on a continuous basis.

To facilitate continuous improvement, all staff and Board members are encouraged to seek better ways of operating by challenging the process on an ongoing basis. The leadership team has established ample opportunity for staff and Board members to make suggestions for process improvements. In addition to looking inside the organization, the Board welcomes the suggestions of its constituents. For more information about the initiative, contact Kimberley R. Petrone, Director, Planning, Development and Support Activities, at [krpetrone@fasb.org](mailto:krpetrone@fasb.org).