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TIPS FOR EVALUATING CONDITIONS IN EXCEL
This article features details on valuable ways to use IF, a key function when creating financial models.

CAPE TOWN CRISIS
An infographic illustrates how a severe drought is affecting businesses in South Africa.

WHAT YOUR CHRONOTYPE IS AND WHY IT MATTERS
Timing is intertwined with performance and productivity, says author Daniel Pink, who draws on psychology, biology, and economics research.
Tech advances are not new. *Financial Management* magazine’s early forerunner, *The Cost Accountant*, described in June 1922 how the Hollerith or Powers systems for “electrical tabulating and sorting ... have already revolutionised the routine and multiplied the efficiency in a large number of important cost and statistical offices”.

Forward almost 100 years, and cognitive technologies and robotisation are making a huge impact on accounting — both in increasing the efficiency of basic processing tasks and removing errors.

Advances clearly go far beyond these basic tasks. Finland-headquartered software and services company Tieto was one of the first to appoint an AI robot — Alicia T — to the leadership team of its data-driven businesses unit. According to the unit’s head, Ari Järvelä, this move was to enable decisions that humans “don’t necessarily think of — and perhaps create something yet unforeseen”.

There is no real consensus, however, on the effect these technologies will have on the number of jobs in the future.

A view put forward by the McKinsey Global Institute is that between 400 million and 800 million workers globally could lose their jobs to robots by 2030. Its research report, *Jobs Lost, Jobs Gained*, models wide-ranging scenarios that suggest between 75 million and 375 million workers (3%–14% of the global workforce) may need to change their job title by 2030.

The growing number of humanoid robots — from social care to the board — is demanding a rethinking of lines of responsibility and reporting. It has also given rise to a raft of interesting ideas: Microsoft co-founder Bill Gates suggested taxing robots that replace human workers, and CEOs Elon Musk (Tesla) and Mark Zuckerberg (Facebook) have put forward the idea of a universal basic income as a solution to the unemployment that automation could bring.

However, as very few occupations — perhaps less than 5% according to McKinsey — can be automated in their entirety, it is recognised that AI will continue to play a complementary role, sometimes described as augmented intelligence, in enhancing rather than replacing human thinking.

To succeed in this environment, Paul Roehrig, chief strategy officer for Cognizant Digital Business, a business and technology services provider, said: “It sounds counterintuitive, but to beat the bot, you need to be more human.”

There is a long list of skills we need to accomplish this — they include creativity, emotional intelligence, and the ability to negotiate. As a part of the Association, CIMA members can benefit from a human intelligence video series available at aicpa-cima.com/human-intelligence. There is also a range of courses on the CGMA Store, including “AI and the Impact It Will Have on FP&A” (cgmastore.com/AI).

Throughout my career, even from early on, when using manual records as a cost clerk in the transport and motor trade department of the Scottish Co-operative Wholesale Society in Edinburgh, I have recognised the need to continue to learn and keep skills up to date.

Staying ahead of the tech curve is important, including for the mid-career management accountant with perhaps 20 or 25 years of career in front of them. Change will not slow down.

For all members — and future members — making sure your valuable qualification remains relevant ensures you are well placed to take advantage of individual opportunities — and are also equipped to encourage agile innovation in the businesses where you work.
A new world

‘Given the technology landscape, the focus of finance professionals needs to shift from data collection and processing to the use of data.’

Digital technology has ushered us into a new business era. Huge volumes of data are being generated at record speed. Business is well placed to exploit this brave new world because it is supported by the right infrastructure for storing data cheaply, and for accessing, processing, and analysing data at speed.

To remain relevant, finance professionals should become familiar with technologies such as cloud computing, robotic process automation, cognitive computing, in-memory computing, advanced analytics, and visualisation tools. These new technologies change how businesses behave, both internally and within their ecosystems. People have to work in new ways with technology with automation increasing; products and services are no longer sufficient but must combine with the appropriate platforms to provide differentiated offerings for customers. Businesses today will need to focus on their core capabilities, instead of trying to do everything. To succeed, they have to collaborate with partners in their ecosystem. Collaboration is therefore an important driver of growth — 2017 KPMG research reveals that, globally, 75% of CEOs are now more open to new influences and collaboration.

In this digital age, the role of finance and accounting is to enable, shape, and tell the story of how businesses create and preserve value. This requires a deep understanding of data and how it is used. Given the technology landscape, the focus of finance professionals needs to shift from data collection and processing to the use of data. But before using data, finance needs to ensure that data is clean, has integrity, and is secure. This requires an understanding of cybersecurity and how to communicate the potential of cyber risk to the board.

In the future, management accountants will work more closely with data scientists who use advanced mathematical techniques to analyse data and provide insights for the organisation. Management accountants will need a holistic understanding of their business (through knowledge of the business model) to explain emerging correlations and insights from the work of data scientists. They will also be able to have conversations with both external and internal stakeholders to help the whole business understand and use the insights derived from the data. This shift from “doing the calculations” to an influencing role moves many finance people out of their comfort zone.

In brief, finance professionals will be required to use data to support decision-making, understand customers’ behaviour, develop customer value propositions, and enhance operational efficiency. The competencies required to ensure that data is collected, cleaned, processed, analysed, and communicated to the organisation, and its partners as needed, are data strategy and planning; data sourcing, extraction, and mining; data manipulation, modelling, and analysis; and the communication of insight derived from data.

Given the pace of change, finance people need an agile mindset. This includes curiosity and inquiring minds to help them get the story behind the numbers. This will enable them to diagnose root causes, predict probable future scenarios, and help prescribe how the business can thrive in those future scenarios. Secondly, they will need to work at speed and scale — and have the ability to scale up something from a corner of a business to the organisation as a whole.

Finally, the pace of change means that the shelf life of knowledge is very short — much of what we know today will not be relevant in a few years’ time. Finance people will need to replace old knowledge with new to remain relevant. Lifelong learning is therefore essential and must be built around three activities: learning; unlearning old things that have become irrelevant and incompatible with new knowledge; and relearning relevant new knowledge.

Noel Tagoe, FCMA, CGMA, Ph.D., leads the Association’s Future of Finance project (cgma.org/future-of-finance). Read about the project on page 18.
Haven’t checked out our daily read for management accountants? You don’t want to miss out on this dynamic digest of business articles from *FM* magazine and other sources. Make CGMA Advantage a part of your daily routine.

[CGMA.org/newsletter](http://cgma.org/newsletter)
Perspectives on pay

Questions about the distribution of wealth are as old as wealth itself. PwC surveyed business executives around the world in 2017, hoping to capture the breadth of modern thinking about the ethics of pay.

The firm found these beliefs to be the most common:

- That people who achieve more should earn more.
- That just societies offer equal opportunities.
- That all people should be provided enough income to meet their basic needs — but that further redistribution isn’t necessary.
- That income distribution should reflect scarcity, creating an efficient allocation of labour.

Around the world, different societies shared similar combinations of these core beliefs. But the researchers found one stark difference: People under 40 were far more likely to think income inequality should be minimised for moral purposes. People 50 and older were far more likely to emphasise the value of competition and the open market in setting wages.

6 ways companies can improve the interview process

If you’ve ever recruited people to your team, you know that others in your organisation will hold you accountable for your choices. These strategies will help you do it right.

Align process with brand values. “The employer brand should typically be built around an appealing core offering such as ‘challenge, personal growth, teamwork, innovation, and internationalism’; all engagement with prospective employees can follow that theme,” said Gordon Barrie, FCMA, CGMA, a London-based HR consultant and executive coach.

“Employer brand values should be congruent with product brand values,” said Melinda Beckett-Hughes, managing director of executive coaching and business mentoring firm Ayuda.

Improve training. “Hiring managers need to be highly trained and responsive and understand their role as a fully engaged front-line ambassador and key point of contact and communication,” Barrie said.

Prepare for interviews. Those recruiting should make sure they prepare well for interviews. Candidates will feel less valued if the interviewer isn’t knowledgeable and well informed.

Show empathy and respect. “All too often, interviewers project a powerful gatekeeper role, which will be alienating and off-putting, particularly for Millennials,” Barrie said.

Don’t leave people in the dark. Failure to follow up or keep job candidates posted on progress is a common complaint amongst job-seekers.

“In my experience, applicants will ‘wait’ for a recruitment process if the recruiters pay attention to them, keep them warm, make them feel like a person and not a number,” said HR consultant Rebecca Bevins.

Use surveys to improve the process. Another reason to follow up with candidates is to seek their input on how to make the hiring process better. Periodic surveys of candidates can streamline and improve the quality of recruiting, Beckett-Hughes said.

— By James Hester, a UK-based freelance writer.
Data discovery

‘We are reviewing data continually. We are tuning. We are finding areas of friction and improving the process all the time.’
— Shane Williams, co-head of UBS SmartWealth.

Full story, page 28

Global business leaders are uncertain — and optimistic

Most business executives don’t know what to expect in the year ahead, but a majority are optimistic that their enterprises will keep growing, according to a Deloitte Private survey.

The report included input from close to 1,900 executives across 30 countries. While 53% reported greater uncertainty about their business prospects, two-thirds of executives are extremely or very optimistic about their company’s success over the next 24 months.

The respondents’ concerns varied by region. Those in the Americas tended to worry about the overall economic outlook in their home countries. Many in the combined region of Europe, Middle East, and Africa said hiring and retaining staff would be the main challenge. Executives in Asia Pacific often saw input costs as a risk to growth, according to Deloitte.

There were some global factors. Respondents named geopolitical uncertainty as a top risk and also expressed concern about foreign exchange fluctuations, weakened domestic demand, increased regulatory requirements, and technology costs.

The survey also asked respondents how they are using emerging technologies such as cloud computing and predictive analytics. About 62% said they were increasing efficiency with technology, followed by 46% who wanted to use technology to improve customer engagement, and 45% to facilitate growth.

Finally, while mergers-and-acquisition activity was relatively light in 2017, 68% of respondents expected to be part of M&A activity in 2018.

What do employees really want?

Two-thirds of human resources managers say that their companies have expanded their health and wellness offerings in the last five years, according to a Robert Half survey. Some are providing on-site nurses, others are handing out fitness devices, and at least one is paying employees to stay off email when they’re on vacation. Often enough, though, employees said that their health goals were thwarted by the simple temptations of food at the office.

Top 6 unhealthy temptations

30% Food at office celebrations
22% Snacks from co-workers
10% Free meals
10% The vending machine
10% The candy jar
9% Happy hour

Source: Robert Half survey of 306 HR managers and 1,006 workers in the US.
Valuing the Great Barrier Reef

A diver inspects the Great Barrier Reef’s condition in 2015 in an area called the Coral Gardens located at Lady Elliot Island.
As the world celebrates Earth Day in April, we turn our attention here to a natural wonder and UNESCO World Heritage site — Australia’s Great Barrier Reef. Deloitte Access Economics was commissioned by the Great Barrier Reef Foundation, with support from the National Australia Bank and the Great Barrier Reef Marine Park Authority, to arrive at a valuation for the reef. “Valuing nature in monetary terms can effectively inform policy settings and help industry, government, the scientific community, and the wider public understand the contribution of the environment, or in this case the Great Barrier Reef, to the economy and society,” the 2017 report said. Here are some of the findings:

**AUD 6.4 billion** ($5.2 billion) in contribution to the Australian economy tied to the reef in 2015–2016.

**64,000** jobs supported by the reef for the same period.

**AUD 56 billion** ($45 billion) in overall value for the reef as an Australian economic, social, and iconic asset.
Key aspects of Europe’s General Data Protection Regulation

The General Data Protection Regulation, or GDPR, is a new set of rules intended to protect the online data of European citizens. It is the largest overhaul of data protection regulations since the EU’s 1995 Data Protection Directive and brings about a strict and complex set of requirements along with fierce penalties. GDPR becomes enforceable 25 May 2018.

**PENALTIES**
Failure to comply with GDPR can carry a fine of up to €20 million or 4% of a company’s annual, global turnover, whichever is greater.

**SUBJECT DATA REQUESTS**
Companies dealing with European customers must be able to provide those consumers with reports detailing the personally identifiable data that they hold, how they use that data, and under what permissions.

**SECURITY BREACH NOTIFICATIONS**
Companies will be forced to notify authorities and affected individuals of high-risk security breaches within 72 hours of the event.

**DATA OFFICERS**
Some companies, including those that do large-scale monitoring of individuals and those that handle personal data related to criminal convictions and offences, will be required to hire or appoint a data protection officer.
Providing access to data

As part of GDPR, companies must be able to provide Europeans with a copy of their personally identifiable data and under some circumstances delete it at their behest. Here is how companies can do that:

**TAKE AN INVENTORY OF YOUR DATA**
Companies must take note of all the data they hold, where it sits, what rights they have to use or transfer that data, for what purposes, and for how long.

**CATEGORISE AND ASSESS THE SENSITIVITY OF THE DATA**
Companies don’t have to provide subjects with low-risk data, meaning information that likely cannot identify a user, such as their food preferences. They will, however, have to provide subjects with high-risk data, which is data that can directly or indirectly identify a user, such as their name or address.

**PUT IN MECHANISMS TO FULFIL DATA SUBJECT REQUESTS**
Companies must set up ways for individuals to make these data requests. Additionally, they must set up systems to fulfil these requests.

**FULFIL REQUESTS**
Companies must complete these requests within one month.

Using personally identifiable data

Companies use data to run analytics and develop algorithms that can give them an edge over competitors. Under GDPR, using data like that won’t be so easy. That’s because the new European regulation makes it more difficult for companies to rely on consent to use personally identifiable data from consumers in any way. Here are two common options:

**RENEW CONSENT FROM USERS**
- Some companies are enlisting the help of consultants and marketers to run campaigns to help them achieve high rates of new consent.
- Companies must explicitly explain what they intend to use the data for and get consent for those specific cases.

**PSEUDONYMISE PERSONALLY IDENTIFIABLE DATA**
- Some companies are turning to the help of vendors with software that scrambles the data in question, tightly shielding the identities of specific users with risk-managed, technical measures.
- By pseudonymising, companies can use the data they already have for analytical purposes without having to get explicit consent from users so long as they’re protecting users’ identities.

Sources: Anonos; Ebsta; European Union’s General Data Protection Regulation; Reuters Research.
A
discrimination often brings to mind older workers being overlooked for promotion or being seen as too grey or too expensive and thus managed out of a company. But what happens when it goes the other way? What happens if you’re a fast-tracker who has risen to manage a team in your 20s? How do you deal with being seen as too inexperienced? How do you manage colleagues twice your age?

Of course, it goes without saying that, as a manager, you have to deliver. Do this, and almost everyone — young and old — will respect you. But there are additional strategies that can help smooth the path. Consider these tips:

1. **Overcome your insecurities.** The biggest worry most people have is that they won’t be taken seriously or respected. You need to overcome those insecurities. Tell yourself that you were chosen for this position because you are the right person for the job. And act normally. Don’t apologise for your position. Don’t be overly deferential to people who are older than you. Engage and be confident.

2. **Understand others’ work habits.** People who are much older than you may behave differently than you. Their approach to work might be more transactional and formal, and they may draw a much starker line between their work and social lives. This doesn’t necessarily mean they have a problem with you. If you have any doubts about this, talk to them about how they like to work, rather than letting worries fester.

3. **Remember, too, that youth has many good points.** You are likely to be good with technology, be energetic, and have fresh points of view and an open mind. You might also want to remind yourself that young people have accomplished extraordinary things. Many of Silicon Valley’s best-known entrepreneurs were CEOs of billion-dollar companies in their 20s, and Emmanuel Macron was elected president of France at 39.

4. **Ask older employees for advice based on their experience.** This will help you build bridges and convey respect (and, besides, their experience is likely to be useful). But this

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**How to deal with being viewed as**

You have the right experience, but you are younger than your employees. Follow these tips to turn the difference into a positive.

By Rhymer Rigby
should be part of recognising that everyone has something to contribute.

5 Understand the ideal older employee. Not only will most older workers have years of experience, they will probably have made their way through all the workplace angst and issues that many younger staff are still struggling with. Your dream older direct report will be someone who knows the role and the company inside out and has no designs on your job.

6 Watch out for the detractors. Your nightmare older employee, however, is a person who refuses to accept your authority because of your age. If you’ve done everything you can to find common ground and they still undermine you, you need to lay down the law. Set up a one-to-one meeting and explain that you are their manager and have certain expectations of them. Tell them you want the relationship to work, but if they continue to act this way, it will become a performance management issue.

7 Remember that appearances matter. If you want to be seen as more mature than your years, dress on the sober side of what is normal in your company. Talk and carry yourself like a professional. And, of course, don’t have an online presence that contradicts the image you are trying to portray in the office. This isn’t just about posting inappropriate pictures. While a Twitter feed full of cat GIFs won’t prevent you from being a good 25-year-old manager, it will give ammunition to anyone who has doubts about you.

8 Get yourself out there. Volunteer for roles within the organisation that convey seniority and leadership. For example, if someone asks for people who are prepared to write blogposts or help with corporate charitable work, put your hand up. Activities such as public speaking that put you in a very visible position of authority are fantastic.

Rhymer Rigby is an FM magazine contributor and author of The Careerist: Over 100 Ways to Get Ahead at Work. To comment on this article or to suggest an idea for another article, contact Jack Hagel, an FM magazine editorial director, at Jack.Hagel@aicpa-cima.com.
What skills will you need in the future?

Here’s a guide to growing and developing finance teams in a time of tumultuous change.

By Shilpa Pai Mizar
Some say the fourth industrial revolution is upon us. As intelligent machines increasingly take over routine tasks, new technologies and interconnectedness across the global economy are forcing organisations to consider new business models as old ones stand to be disrupted.

Add to this global factors such as political uncertainty and sustainability concerns, and organisations everywhere are seeking to transform how they do business. Not surprisingly, finance leaders are a vital part of this change and are looking for new ways to lead and train their teams to support businesses in the current environment. Roles such as finance and legal are being asked to think and act more strategically within and beyond their own departments, according to Philippe Schneider, researcher and co-author of the report *The Future of Skills: Employment in 2030*, which was produced by global innovation foundation Nesta and learning company Pearson.

As traditional competencies no longer suffice, this article explores some of the additional skills and capabilities that finance professionals might need in the coming decade or so.

**Looking into the future**

“Finance today is a partner in the business. It is no longer about just keeping the records and presenting data and learnings based on what has happened in the past. Shorter business cycles need finance to come in much earlier,” said Priyaranjan, vice-president and head of business operations at Sasken.
CGMA worldwide research project unveils the future of finance

By Martin Farrar, Ph.D.

Change is the new norm in many organisations and particularly for the finance function. However, because organisations do not often discuss the issues with one another, there is currently no clear vision of how finance is evolving — and what skills finance workers need to prepare for the changes that are coming.

To help organisations and finance staff prepare for the future, the Association of International Certified Professional Accountants has undertaken a worldwide analysis of how the finance function is changing.

The project is using interviews, roundtables, and surveys to answer the following questions:

- How will the future be different for your organisation?
- What are the drivers of change for your organisation?
- What are the implications for finance?
- How should finance prepare for the changes?

After conducting more than 300 interviews on the future of finance, the Association has documented the emergence of four key themes. Those themes are:

- The changing role and mandate of finance.
- Changing technology and finance.
- The changing shape of the finance function.
- Changing competencies and mindsets.

The Association is further investigating these themes through roundtables, a global survey, and stakeholders’ feedback. Once the research is complete, the Association will have a composite picture of the future finance function. Then it will be able to drill down into the inner workings to highlight the changing tools and techniques that will be required in the new world of accountancy and business.

The emerging themes represent horizon-scan exercises for the finance profession. The Association will introduce new concepts to some or reacquaint others with a familiar language, depending on how far progressed an organisation is towards building the finance function of the future.

By sharing the findings, the Association aims to provide and empower finance professionals with new competencies and growth mindsets to help their organisations create and preserve value and to widen the remit of finance to cover a broader range of management information, generating new insights and business solutions. The findings will be shared in a variety of formats, each peeling back layers of insight revealed in the interviews.

The findings from the research programme are expected later this year. Contact future.finance@aicpa-cima.com for enquiries and to sign up for updates on the research project.

Martin Farrar is associate technical director–management accounting for the Association of International Certified Professional Accountants.
are going to add value back to the business.”

**Takeaway:** The finance professional of the future is a strong collaborator and a good communicator, takes ownership, and thinks out of the box.

**Complementary knowledge areas**

As professionals are required to be more well-rounded, research is finding that skills and knowledge areas not commonly associated with finance may help keep finance teams more relevant.

The Nesta report recommends that seeking and nurturing skills in science, philosophy, sociology, and anthropology could have the greatest impact on demand for finance professionals by 2030. While a scientific approach would be a definite asset in an environment that requires framing and solving multifaceted problems, those other subjects would help develop a number of skills that transfer in an environment that is increasingly globalised and complex, and where managers and investors will require more timely and meaningful sources of information than traditional accounting information, said Schneider.

“Unlike more technical skills, they are less likely to become obsolete and can adapt to new opportunities. For example, philosophy gives students a rigorous grounding in critical thinking and the ability to deal with ambiguity; sociology and anthropology, meanwhile, can provide students a macro perspective as well as deepen cultural awareness,” he said.

**Takeaway:** The finance professional of the future is a good critical thinker, culturally and politically aware, and able to deal with ambiguities.

**From here on**

While a third of finance leaders interviewed in a 2016 Robert Half UK survey said finance professionals of the future needed to develop leadership skills, nearly half said that greater knowledge of financial software was important in the next five years. A separate Robert Half survey of CFOs at US-based organisations found that nearly 60% of them invested in training their teams in technology. At the same time, nearly 55% spoke about soft skills. “There’s more to this than the specific tools,” Hird observed of technical skills. “Finance functions will need staff who are naturally curious about technology, embrace changes, and help colleagues adapt.”

Besides regular training programmes, multinationals are also facilitating interactions for finance teams with experts outside the profession and organisations to bring in different perspectives. The hope is this leads to a culture of digital agility, collaboration, and creativity. “Finance leaders should encourage and reward external and lateral thinking,” said Dawkins, who thinks career sabbaticals can also help finance professionals freshen their perspective.

Additionally, finance leaders are starting to hire from varied backgrounds, such as history, hotel management, or engineering. “We don’t screen based on finance degrees anymore. We want a diverse mix — not just language, culture, and background, but diversity of thought,” she said. “We need to make sure we are recruiting innovators and analysts. It is not just about being a better accountant anymore. It is about being better read, more educated, open-minded, about being able to deal with different sorts of people, a wider set of capabilities.”

**Takeaway:** Finance leaders are hiring from nontraditional areas and investing in both conventional and unconventional programmes and workshops to prepare digitally agile and well-rounded teams for the future.

Shilpa Pai Mizar is a freelance writer based in the UK. To comment on this article or to suggest an idea for another article, contact Chris Baysden, a senior manager for FM magazine, at Chris.Baysden@aicpa-cima.com.
The best job interview questions

Experienced executives share the go-to questions they pose to finance candidates to reveal how applicants think and act, and whether they’ve done their homework.

By Sylvia Edwards Davis

In today’s competitive landscape, hiring executives must sharpen their recruiting skills to find that rare gem — a candidate who’s smart, creative, and a good fit in the workplace. That means there’s a lot of pressure during interviews — both on the candidate and on the hiring manager. Questions that hit the mark or uncover a blind spot can be valuable tools.

Finding the right balance is tricky. A study conducted by Glassdoor Economic Research in 2015 showed that more challenging job interviews are linked to higher employee satisfaction across the six countries that were studied in Europe and North America. But the study also found that a hiring process that is too difficult can backfire by discouraging candidates. The optimal interview difficulty level is an interview experience that is difficult but not overwhelming.

With that in mind, we asked experienced executives around the world to give us an example of a go-to question that they pose to finance candidates either because it is essential or because it can reveal a good match.

Carola Mengolini, vice-president of Investor Relations, Royal Caribbean Cruises (US)

I work in the cruise line industry. When I interview candidates for a finance-related position who have never been on a ship before, I like asking one simple question to gauge their analytical skills, something that they are not likely to know beforehand. Something like: “How much does a ship cost?” Or, alternatively: “How many people do you think we carry on the megaships?” I’m able to see many things here. There are those candidates that shoot from the hip and quickly answer “about 2 million.” Then there are those that justify not knowing because they have never been on a ship before. Others will take forever figuring out thousands of variables and get lost in the question, and then there are those that say something along the lines of: “If the ship has 12 decks and you have 150 rooms per deck with an average occupancy of 2.5 people per room, you carry about 4,500 guests.” Hired! It is very difficult to figure out if a person has analytical skills. I have found that asking simple questions such as the ones above has helped me to quickly see how people think and also how they react under pressure.
‘Most candidates we bring in to interview already have the technical skills; I want to assess if they will be a good fit for the needs of our growing organisation.’

Kate Grangard, CPA, CGMA, the CFO and COO, Gehring Group & BenTek

Kate Grangard, CPA, CGMA, the CFO and COO, Gehring Group & BenTek (US)

My favourite interview question is: “What would I find on your nightstand or coffee table?” It might seem unusual, but the response provides great insight into the discipline, interest, and mindset of the respondent, and it almost always leads to a great discussion. My goal through this question is to gain insight into the type of person I am interviewing, how they use their free time, and what they choose to represent them. Answers have varied from industry periodicals (which are especially important for finance and IT candidates), newspapers (of course, I ask which one), Kindles, magazines, puzzles, crossword puzzles, Sudoku, candy, alarm clocks, and, of course, my favourite answer — leadership books.

My goal in an interview is to assess where the candidates fit. Where will they help me? What specific skill will they add to the team? Is this a career to them? And where do I see them growing with us? Most candidates we bring in to interview already have the technical skills; I want to assess if they will be a good fit for the needs of our growing organisation, a collaborative member of the team, a partner for management in contributing ideas, and a fit for the position in question. I also like to ask candidates to give me an example of a work-related problem they had and how they worked towards resolving it. Are they collaborative? Did they pick up the phone? Did they avoid conflict? Did they take the blame, give the blame, or share the blame in the scenario? Did they offer a solution, mediate a solution, support a solution, or have others solve the problem?

Christopher Garner Smith, FCMA, CGMA, executive director, EMEA/APAC SSC, The Walt Disney Company (UK)

I have just returned to the UK after working in China. For my team in the Accounting Shared Service Centre in Shanghai — where there are around 100 talented accountants working at the regional centre responsible for US GAAP reporting for media, studios, consumer products, and retail — we developed the “10 Cs”, highlighting values such as communication, collaboration, career, culture, continuous improvement, and commitment. Throughout the recruiting process, these C-values are always on the checklist for fit, as we consider these qualities essential to success in the fast-growing environment of the centre. It is a rapidly expanding place, and the top talent are highly engaged, which leads to a dynamic and high-performing team.

The “team charter” including the 10 Cs is posted outside my office, and so whenever internal candidates in Disney’s Asia-Pacific region were interviewing for promotion, I would ask them to give examples of how they matched the specific culture: in other words, to tell me how they were “C-engaged”. This question was very revealing on several fronts. It told me whether the candidate was alert, familiar with the centre, and had done the research legwork before the interview. It also told me about their engagement and whether they were a good fit with the fast-paced culture of the centre.

Ludovic Bessière, business director, France & Belgium, for Accountancy & Finance Division, Hays (France)

Today we seek to identify the candidate’s entrepreneurial and “financial future telling” capacities. So we choose descriptive questions, like role-playing, and ask them to tell us how the candidate is going to “change our world” or how we are going to take up a slice of the market together. Or we could ask the candidate to explain the business model of their business or latest employer, and ask the candidate to place themselves in the role of the business owner or boss, to explain to us what he would have done differently. This kind of role-play plunges the conversation directly into an operational aspect.

For a long time in France we referred to finance as “business partners”, but today we just refer to business, full stop. Finance within a corporate structure is no longer an advisory or support function; it has much more exposure today to the operation and management of the whole. So among all other questions that may be asked during an interview, we always circle back around to the business, either the business model or the strategy to capture a share of the market.

One day I interviewed a candidate who was a management controller for a high-profile luxury leather goods brand, and to my question, he answered that he had put in place an IT process to connect the arrival of large air contingents arriving from Asia and stock in key retail outlets and manufacturing centres. Their revenue had increased 25% in those key outlets as they were able to automatically adjust stock levels to the demand from large groups of tourists. This is an example of why I like this question and why my clients also love this question — because it reveals if the candidate can think out of the box.
Andrew Pullman, managing director, People Risk Solutions (UK)

I am looking at the recruiting process from a human resources perspective, as I run an HR consultancy specialised in helping firms in the financial and professional services sectors. A question that I like to ask is a classic, but it’s always a revealing open question: “OK, so you’ve come to interview for this job, where do you see yourself in about five years’ time?” What I’m also asking is, “What are your aspirations?” What this tends to draw out from people, more than their specific career plan, is an understanding of what their expectations are in terms of the type of work that they’ll be asked to do. Do they want to become a manager, run a bigger team, work overseas? It really starts to give you an idea of what direction the person is going in. If they have a very limited answer to that, or haven’t really thought about it, you also get to find out that the individual hasn’t really got a plan. They may be jumping from job to job. It tells you something else about the candidate, where their head is, how ambitious are they, so it’s quite revealing.

I’ve had people that we were considering for management roles, and then they answered that they didn’t enjoy leading people, that they would rather enjoy becoming a specialist. I also had people who had unrealistic expectations, saying they’d like to be a director of the firm in a five-year time frame. That wasn’t going to happen at the level they were coming in. At the senior level, the question also gives you an idea of whether they want to take on a bigger role and become head of a division, or CFO, whatever the case may be. It’s a really useful question at every level and can save time and aggravation for all involved.

David Wu, CPA (Canada), founder and CEO at GMPTALENT International, a member of IMD International Search Group (China)

As an executive recruiter, I often ask this question during my interviews with finance executive candidates: “What do you know about our client’s business, their competitive advantage, and the industry they are in as a whole?” Asking candidates to describe our client’s company and show industry knowledge will give me an indication of how much homework they have done prior to coming in for the interview. It is often a reflection of their degree of motivation and of how serious the candidates are about this particular job opportunity. Candidates who blank or mumble their response to this question may be either unfamiliar with our client’s business and the industry as a whole, or they may have applied for the role on a whim. Also, we carefully track the candidate’s body language and reactions to the questions we present, always reading between the lines, as these nonverbal cues are also effective indicators. After all, you want a candidate who is truly passionate about the opportunity, and not just browsing around to “test their value” in the market.

Andy Mensah, FCMA, CGMA, human resources partner, IBM Ghana & Central Africa (Ghana)

When we recruit for finance department roles, at some point in the interview process I will ask: “To what extent would you go in order to close a deal?” I tend to ask this question because of the particular environment we operate in, where perceptions of corruption and kickbacks are high in the marketplace. As an organisation we are looking for individuals with a very finely tuned moral compass and a high level of honesty. The response to this question helps gauge the candidate’s likelihood of going against business conduct guidelines.

Sylvia Edwards Davis is a freelance writer based in France. To comment on this article or to suggest an idea for another article, contact Chris Baysden, a senior manager for FM magazine, at Chris.Baysden@aicpa-cima.com.

‘As an organisation we are looking for individuals with a very finely tuned moral compass and a high level of honesty.’

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‘Asking candidates to describe our client’s company and show industry knowledge will give me an indication of how much homework they have done.’

David Wu, CPA (Canada), founder and CEO at GMPTALENT International, a member of IMD International Search Group
Preparing for success in your next job interview
As a management accountant you have the potential to build a highly successful career in finance. To move up the career ladder, you are going to have to successfully convert job interviews into job offers — simple to say, but not always easy to do.

In workshops and webinars, I’ve asked more than 1,500 accountants how long they typically spend preparing for job interviews. The response to that question is worrying:

- About 60% spend four hours or less preparing for a job interview.
- About 28% spend between five and nine hours preparing for a job interview.
- Only 12% spend ten hours or more preparing for a job interview.
This matters because an interview is a highly important meeting for you and for the employer. From the employer’s perspective, it’s a major investment decision. They need to be sure that you are the right person with the skills, experience, and qualities to add real value to the team and the organisation.

You need to influence the panel and provide assurance that you are the ideal candidate.

Follow these steps to increase your chances of success.

**Commit to at least 10 hours of preparation time**

If your initial reaction is, “I can’t spend ten hours preparing for all the jobs I am applying for,” you may need to rethink your approach. Rather than applying for many jobs, devote your time to applying for those jobs where you really would be a good fit. Being selective about what you apply for means you will be more likely to find enough time to prepare well for each role.

**Use the 20:40:40 approach**

People often ask how they should use these ten hours. I always recommend the following:

**Spend 20% of your time researching the organisation and sector**

You are almost guaranteed to be asked what you know about the company. If you are applying for a finance role, you may be asked to give your perspective on its financial performance. Equally, you might be asked about the challenges and opportunities facing the sector or industry that the organisation operates in. Being able to answer questions of this nature confidently is a vital component of success.

**Spend 40% of your time identifying potential questions and drafting answers**

Plenty of clues to potential lines of questioning are in the job advert, the job description, and the person specification, which outlines the needed skills and attributes.

Go through these carefully to pick out the key terms, and start to make a long list of potential questions you might be asked. For example, if the job description includes “writing business cases”, you may be asked to describe what makes a good business case. Or, for budget preparation, how would you go about running the annual budget process? Or how would you go about setting the budget for a division you are supporting?

If the person specification mentions influencing skills, you might be asked to describe a time when you gained a colleague’s or stakeholder’s buy-in to make a change in the business.

If you have done this thoroughly, you should easily come up with 30 to 50 questions that you might be asked. Next, draft answers to those questions.

Remember, too, that employers are increasingly using competency-based questions. Like the influencing example above, this style of question may require you to describe a time or give an example of when you:

- Handled a difficult client situation (whether the client was internal or external).
- Dealt with a team member who was underperforming.
- Initiated or implemented a change or improvement.
- Overcame a significant obstacle or barrier.

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- Handled a difficult client situation (whether the client was internal or external).
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- Initiated or implemented a change or improvement.
- Overcame a significant obstacle or barrier.
Keep an ongoing record of success stories, where you summarise the situation, explain what you did, and describe the result or outcome you achieved. Noting these examples as they come up throughout the year means you can refer to them for each interview, not only saving time but also saving you from having to rack your brain under pressure. The achievements you talk about at interview don't have to be massive — it's more about the skills, qualities, and attributes you can demonstrate. Examples about improving a process or significantly increasing the collection rate on customer payments can provide the opportunity to demonstrate the skills the interviewer is looking for.

Spend 40% of your time answering those questions out loud
Writing out the answers to potential questions will put you ahead of some of the other candidates. Taking time to speak your answers out loud will help prepare you, making you more likely to stand out from other candidates. The more confident you are in delivering your answers, the greater the impact.

A good method is to record yourself delivering the answers. You can download free software such as Audacity to your computer or use the recorder on your smartphone. Listening back will make you aware of how long you are spending answering each question. It will also help you identify if you are speaking too fast or too slow, or sound flat or monotone.

Videoing yourself delivering the answers offers further insights. Watch your body language, and note any changes, especially when you are answering more challenging questions, such as those related to a weakness or a time when something did not go well. Shuffling feet, fidgeting, or dropping your gaze can reveal discomfort or uncertainty, for example, so work on adopting a more confident posture.

A mock interview is even better, especially if your practice partner can provide constructive feedback and ideas for improving your answers. If that mock interview and feedback session can be recorded for you to listen back to, you are in an even stronger position.

Make it count
The decision to appoint someone is a major investment from the employer's perspective. As the candidate, you can increase your chances of success by preparing rigorously. Doing so helps demonstrate you are a true professional with the right attributes to contribute both to the team and the wider organisation.

Duncan Brodie is a former finance director who specialises in helping accountants and professionals be more successful in their careers. To comment on this article or to suggest an idea for another article, contact Samantha White, an FM magazine senior editor, at Samantha.White@aicpa-cima.com.

Resource
Duncan Brodie is a contributor to a CGMA report on Talent Management in Government that is expected to be released this month. Download the report at cgma.org/government.
Shane Williams and Nick Middleton worked with the spirit of a startup as “intrapreneurs” within UBS to create an investment platform for serving smaller investors.

Shane Williams and Nick Middleton are using cognitive technologies in a way that could benefit professions including management accounting.

By Oliver Rowe
Back in 2015 and starting with a blank sheet of paper, UBS’s Nick Middleton and Shane Williams began to work together to build a “best-in-class” robo-adviser for the bank’s customers with a minimum of £15,000 to invest.

An unintended consequence of changes to financial regulation in 2012 was that it had become uneconomic to serve these customers — a lost opportunity for businesses such as UBS.

Middleton and Williams applied agile principles to test their concept and launch on a small scale. The project was innovative, not only because of the low minimum investment, but also because of the technology used by the platform, UBS SmartWealth. The six-minute client “onboarding journey” (the original target was three minutes) relies on AI and a behavioural finance tool that uses dynamically changing questions and tipping-point charts to determine a prospective client’s appetite for risk. Algorithms also examine people’s real financial situation before a recommendation is given for a particular investment strategy.

Middleton and Williams brought very different skills to the table. Middleton, a private client adviser for 20 years, mainly working with pension, charity, and trust assets, was previously running the UK affluent business at UBS. Williams, by contrast, had varied experience that included developing drive-by-wire engine management systems at Ford Motor Company before running large, agile IT development projects and client-facing apps on mobile devices within the banking sector.

Since summer 2014 Williams has been involved in the UBS blockchain innovation group in Canary Wharf, London, and the wealth management innovation group in Zurich, Switzerland, which had been looking at the potential for robo-advisers.

The new investment platform needed to meet the “seemingly diametrically opposed needs” of a quick and convenient onboarding, while protecting the bank through the due-diligence checks of KYC (Know Your Client) and AML (anti-money laundering), explained Williams.

Demands on staff time limit the amount of due diligence that can be achieved manually. Automation can go beyond this to check public and proprietary data sources, said Williams. “We use AI and in particular natural language processing (NLP) for negative news. With AI and NLP, because the machine is doing those manual processes, it can do ... more far quicker. So, effectively, it reads hundreds and hundreds of pages through various search engines. ... We’ve also got internal services that we use that allow us to identify if there are people we might not want as clients because they have a criminal history, for instance.”

Initially, Middleton and Williams pitched to the UBS Group Innovation Board and successfully obtained seed funding to hire a user experience (UX) design agency in London. From the very beginning, they were clear that the customer had to be at the heart of the new business.

Williams explained: “What we didn’t want to do was take some of the things we already had and just make a nice interface on top. We really wanted to go to the heart of it and start with a blank sheet of paper and think of the customer — and build from the customer’s point of view with no legacy. ... That doesn’t mean we didn’t want to integrate into the bank — and we have done that.”

Having built the platform, Middleton and Williams got the full go-ahead for creating “the whole proposition of a business” from the UBS wealth management executive board. In just a year, between November 2015 and November 2016, the business, product, and team were built up.
Williams said that the team was built like a startup inside the bank, “with the same spirit of a startup ... the same ideas, and same processes and procedures”. The team currently totals 70 people across disciplines that include UX, data analytics, business analysis, marketing, and client management.

He went on to explain how this startup spirit worked in practice. “We wanted something that’s of the minimum viable product to market and then ... learn and very quickly give customers what they want.

“It also allows us to react to things that were happening in the market. In the UK there are a lot of robos — a lot of the incumbents now, a lot of the retail banks are starting to fire up robos to fill the advice gap.”

Wealth management is clearly a global business, and SmartWealth a potentially global solution — many languages were built in from the start so that it could support a global rollout. A UK launch, however, was decided based on three factors, Middleton said. “We have this advice gap, which was created in 2012 with some new legislation that came in called the Retail Distribution Review — RDR as it was known. ... For a client it is very transparent what you were paying for, but for advisers it actually meant that the remuneration they were receiving for giving advice no longer covered the potential liability of having given that advice. As a result, a lot of people exited the space entirely, or banks just moved their minimum [investment required] up to a level at which point they could be remunerated properly for giving the advice and cover the liability.”

In addition to this lack of investment advice in the UK, Middleton said that another factor that helped fuel SmartWealth was the progressive nature of the Financial Conduct Authority (FCA), the UK regulator. “The FCA is really leading the way in fintech regulation,” he said. “They now have the sandbox so that people can try out different ideas.”

“We also have the skillset amongst the population here in the UK to build this stuff. You only have got to take a 50-yard stroll up the road and you’re into Shoreditch and you’re at Silicon Roundabout, and if you stroll into any of the coffee shops and say, ‘Hey, I need a visual designer,’ you’ll probably get 50 hands up.”

Making an analogy with trainee pilots who are taught to fly on instruments where there is cloud or fog, Williams said, “Effectively we are always flying on instruments.” He added: “Data is a big part of the business. [As] we don’t have client relationship managers talking to people, we are very reliant on the technology and the data.

“So very early on a decision we made was to make sure that we captured data on every single aspect of the process. The term for it is ‘instrument everything’. At any point or any interaction ... the data gives us valuable insights.

“We are reviewing data continually. We are tuning. We are finding areas of friction and improving the process all the time.”

Middleton made a similar point: “Everything we have done is tooled to collect this information. A lot of very large incumbent organisations are probably very data blind. If they do capture stuff, they are not entirely sure what it means or what to do with it. Whereas everything we have done right from the start has been designed to capture that data.”

The two “intrapreneurs” have relied on the support of UBS senior management, according to Middleton. “We have a lot of control functions here as part of the wider organisation, which are entirely set up to protect UBS, and if we just come along and tried to do this, then the white blood cells of the organisation would have swiftly shut us down. But ... to succeed we have very good support from all those functions to try to enable us to get out there quickly.”

Key to success has been the dynamic way of working, according to Williams. “The important thing that we have done in UBS SmartWealth is really make sure all that team is together and they are all on the same level. ... And that’s important for all companies to not treat the IT teams like second-class citizens. I come from the technology side. It’s to make sure that you have just got a set of the best people working on a common goal and common mission, and everyone is really fighting to make sure it is successful.”

Oliver Rowe is external affairs content manager for FM magazine. To comment on this article or to suggest an idea for another article, contact him at Oliver.Rowe@aicpa-cima.com.
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Business automation lessons from the aviation industry

Automation in the cockpit has improved flight safety but also poses challenges. Insight gained in aviation can help prevent a 'loss of control' event in your organisation.

By Peter Gillespie and Darragh Owens
Since the 1980s, automating various flight management operations has contributed to a profound improvement in air transport safety and effectiveness. But a related human issue — automation dependency — has emerged as a significant challenge to further improvements in safety levels. Automation can contribute to diminishing manual flying skills and increasing complacency, as pilots avail themselves of automatic flight management and navigation systems to aid much of their decision-making.

In some cases, pilots don’t fully understand the automatic processes controlling their sophisticated aircraft. The ironic enquiry “What’s it doing now?” is sometimes heard in the cockpit, as pilots struggle to figure out the actions of the “automatics”, as these systems are referred to on the flight deck.

Crucial as this is in the cockpit, automation dependency is equally problematic in many businesses today, whenever there is a disconnect between what managers think is going on and what is actually happening. The automation in question is not just technological, but also pervades the processes, algorithms, and reporting on which managers rely to inform their decision-making.

Aviation is addressing this phenomenon as a major problem and is seeking solutions. We suggest that many companies should do the same before their “business automatics” put them at risk of losing control.

**Automation’s effect on aviation**

The first autopilot dates from 1914, when it enabled the aircraft to fly straight and level on a compass course without the pilot’s attention. Since then, the complexity of automation in the cockpit has grown in line with increased functionality and regulation. It has undoubtedly contributed to a tremendous increase in safety. But whereas in 1914 the pilot remained in total control (thankfully, as the autopilot of that era was unreliable and controlled only one aspect of aircraft performance), over time automatics have delivered much more functionality in such a reliable way that pilots can totally rely on such systems to execute various complex tasks. However, there are downsides to this. The UK’s Civil Aviation Authority warns that the introduction of more automation in the cockpit could lead to an increased risk of “loss of control” events:

- **Automation has significantly changed the role of the pilot.** With increased automation, pilots get less practice at flying the aircraft in all situations, so they are less able to deal with the loss-of-control events when they occur. They lose the “feel” for their aircraft, so they are less able even to recognise the subtle changes that precede a loss-of-control situation.

- **Trainers can struggle to replicate all “upset” situations.** Automation copes with the vast majority of situations that are possible to predict. But as it is very difficult to predict those situations not already managed by the automatics, it is also much harder to simulate these conditions and so train the pilots to deal with them.

- **Automation makes real leadership in the cockpit even more crucial.** The aviation industry has long recognised that the “authority gradient” on the flight deck needs to be appropriate, meaning that whilst responsibilities are clear, junior staff are encouraged to say what they...
think, even in the presence of an experienced captain, and to monitor each other’s actions. Who is willing to speak up and ask the question, “What’s it doing now?”

- **Automation can be a distraction.** Pilots can spend too long choosing from the menu of flight modes and forget about flying the aircraft. They may also spend too much time trying to understand the cause of an alarm, which sounds because a condition has been met (eg, stall), instead of taking the necessary action (eg, push the control wheel).

The aviation industry is addressing these issues by making changes to flight-deck training programmes, including a refocus on the continuing maintenance of manual handling skills, as a vital recourse when the automatics fail to work correctly. The sector is also addressing the requirement for deeper knowledge of the automatics themselves, and what exactly they are doing in any operational mode.

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### The effect of automation in businesses

Similar conditions can exist in companies if managers no longer understand in detail how their business processes function, how to recognise an emerging issue, or how to recover from a loss-of-control situation. Why?

- **Managers assume that more automation must be the right thing to do.** Employing fewer minimum-wage workers must be a good thing, right? Managers must properly evaluate the inherent risk — that is, losing the control and transparency they would have in a simpler system. For example, a sophisticated staff rostering system that uses its own algorithms could result in an airline not having enough pilots or crew in the right place at the right time.

- **Managers often don’t get involved in business process automation.** They leave it to the project team and IT specialists, who set the parameters, prepare the workflows, and draw the colourful diagrams. But this abdication of responsibility means that the more efficient the automation is from an IT viewpoint, the less able the managers are to understand how the processes really work.

- **De-layering has removed managers’ go-to support staff.** These used to be the people who monitored the information and systems and could go straight to the manager with any concerns. Increased automation has reduced operational and back-office staff numbers, and made those who remain “empowered”. However, some managers now have to try to stay in control of more complicated processes despite reduced support, and without ever getting the time to understand how the processes function.

- **Companies often neglect to identify complex but “routine” processes on their risk register.** Not enough scenario or “what if” planning takes place, so managers remain unaware of the inherent risks until a problem occurs.

- **There is too much information to assimilate.** All the information generated by the automated business processes will be stored, transaction by transaction, somewhere — but how can it be disseminated in a form usable by managers? This may not have been specified.

- **Humans are not programmed to monitor.** The project team may have developed a reporting dashboard with colourful dials, gauges, and buttons, but do these really show what’s going on — and what’s about to happen? Choosing the information to include in reports means choosing what will be left out. Does the person making this choice really understand? Do the people monitoring the numbers know what the real questions are to ask?

- **Automated processes rapidly become unfit for purpose.** Businesses change quickly with mergers, acquisitions, divestments, downsizing, refocusing, and changed strategies. Going back to IT to respecify requests (eg, to make changes to cope with changing business needs, or simply to correct errors that have appeared) takes far too long — the business can’t wait. Often, the original project team is now on some other critical activity, or they’ve left. So, staff will have to “just do it in Excel”, or manually, with all the consequential control risks that entail. Even here, due to the inevitable time pressures, they’ll just correct the minimum — top-down stuff of the “it’ll do” variety. Management reports will no longer be able to capture the true story.

- **People are afraid to question managers.** The authority gradient is often far too steep, and this angle is actually increased by the removal of managers’ support staff.

### Recommendations for business managers

A famous axiom in the aviation industry is “a superior pilot uses his or her judgement to avoid situations that would require his or her superior skills.” We recommend that business managers take this onboard by:

- Including all operational aspects of complex processes in risk reviews.

- Undertaking regular, formal “what if” audits of automated processes. For example, when the circumstances on which the model is based change unexpectedly, can the system cope with a different set of data or algorithms that reflect this change?

- In new process automation projects, including “loss of control” as a specific risk to be addressed, challenging whether more automation is really cost-effective, and ensuring that all data is easily accessed in open databases.

- Encouraging staff to open up and say what they think.

- Encouraging more simplicity in business processes.

- Ensuring they have real hands-on experience of their business automatics.

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Peter Gillespie (info@meaningful-metrics.co.uk) is founder of Meaningful Metrics, based in Farnham, Surrey, UK, which provides management reporting services to medium-size organisations. He worked in manufacturing and services in several countries for 30 years. Darragh Owens (darragh.owens@qfa.ie) is a senior pilot instructor at Atlantic Flight Training Academy in Cork, Ireland. He is also a writer and columnist on aviation training matters. To comment on this article or to suggest an idea for another article, contact Samantha White, an FM magazine senior editor, at Samantha.White@aicpa-cima.com.
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A model helps organisations deal with the data deluge and provide insights that support robust decision-making.

By George Pissides, FCMA, CGMA
n a world where uncertainty is the new norm, where technology is getting smarter, where robots are automating and simulating human activity, and where big data is getting bigger, the pace of winning and losing is getting even faster. The margin for error for organisations is now even smaller, meaning high-quality decisions grounded in insight have never been more important.

It’s true: Technology is capable of automating a lot of what we used to do when it comes to analysing data. It can even take this a step further and simulate some of our thought processes. That said, technology has one shortfall: It is not human, and generating insights is an inherently human process that needs human traits to interpret what is happening.

Faced with a deluge of data, finding a way to combine these human qualities with the tools on offer will provide organisations with more opportunities to make high-quality decisions grounded in great insights.

I propose a ten-step approach to accelerate the process of generating and delivering insights, which forms the basis of the Define-Determine-Deliver model. The model draws on a number of sources. First and foremost, it is based on my experiences of working with some of the largest insight-driven companies in the UK and US. Deloitte defines an insight-driven organisation as “one which has succeeded in embedding analysis, data, and reasoning into its decision-making processes”). I was able to observe best practice in the way these companies collected and organised huge amounts of diverse data, and I gained a profound understanding of performance and how they were able to engage their people to take the right next steps, which led to stronger performance.

Second, the model takes up the themes being debated by practitioners, experts, and authors, in terms of how to organise and interpret the huge, diverse data sets organisations are now collecting. And the more diverse and complex the data, the greater the challenge of communicating insights.

The model consists of three stages. The define stage will help you clarify what you need to do and why. The determine stage offers a set of principles to help you generate insights, and the final stage looks at how to deliver your message to achieve the level of impact and influence your insights deserve.

Define: Planning your analysis

1 Be clear on the value of your insights. The beginning of the insight process involves being clear about what you are being asked to analyse. Over the years of working for a number of insight-led companies I quickly came to appreciate that the significant first question was not “what?”, but “so what?” Understanding the value (the “so what”) that your insights will add helps you engage with what the person requesting the information is trying to do. When you are informed and engaged, you build a more relevant and more focused analysis plan.

Tip: If the person making the request hasn’t already outlined the “so what”, asking them “How will the analysis help?” is a good way to understand what they are hoping to gain from the insight.

2 Partner with an expert. In my experience, those who seek help from someone who knows the particular area of operations well deliver the best insights. They could be a callcentre agent or warehouse manager, for example. Share what you are trying to do with them and ask their opinion. Their support can come in many forms. They may share their experiences of the topic being analysed, may highlight obvious pitfalls, or simply confirm that what you are doing is on the right track.

Tip: Ask the person making the request to recommend the right contact. Once you have a partner, be curious, ask good questions, and listen well to what they have to say.

3 Create a hypothesis. It is important that when you are doing your analysis, you don’t try to analyse all the data available because this could take too long. The process of forming a hypothesis will help you think about the relationships between your data, which should end with your forming an opinion (your hypothesis) on the answer you might find once you have done your analysis. A clear hypothesis, therefore, provides you with an indicator of what to look out for when doing your analysis, helping you to stay focused, whilst reducing any wasted effort.

Always create a hypothesis statement that captures this belief before you start analysing your data (eg, “product availability has decreased because supplier ‘out of stocks’ have grown as the cost of raw materials has increased”).

Tip: Take time to run through your hypothesis with your expert (from tip 2) or any other relevant people. This will help ensure you have a reasonable and balanced hypothesis, and help to avoid confirmation bias.

Determine: Doing your analysis

4 Visualise your analysis. It is all too easy to just dive in and start analysing data. Before you begin, be specific about what you need to analyse. This involves visualising what your analysis will look like once it is finished.

Tip: Get a sheet of paper and sketch out what your data will look like once you have collected it all, listing the rows of data down the left-hand side and the column headings across the top. Then sketch out the analysis you will carry out or the techniques you will apply. For example, do you plan to create a column of data that looks at the difference between two data points or a graph of certain variables? Be as specific as you can, as this will really pressure test what you are planning to do and whether it will add value.

Collect, clean, stay connected.

Developing a plan of how and when you will collect your data is important, as this will help to ensure you have everything you need when you are ready to start analysing. Before you start the analysis, you will need to clean your data to ensure it is accurate, complete, and in the right format. There is nothing worse than unclean data undermining the credibility of your insights. Finally, staying in touch with your expert partner from the previous stage will ensure you get the most out of your analysis.

Tip: It is helpful to have a few (but not too many) expert partners. Picking partners with different types of experience is a great
way to get a variety of viewpoints, leading to a fuller piece of analysis.

6 Analyse well. In practice, every piece of analysis is different. Therefore, adapt your approach using these key principles:

- Let the data lead you to the insight. Don’t assume you know the answer before you have done your analysis; this could really bias your analysis. Be open-minded and let the data lead you to the answer.
- If there is an elephant in the room, say so. Sometimes, when it comes to analysis, we don’t want to accept the most obvious insight; we yearn for something more detailed and more profound. But sometimes the most obvious answer is the right one, and it’s OK to accept it.
- Correlation doesn’t equal causality. Take care when verifying whether two variables are linked.
- Focus on what the business needs. If the person asking you for insights needs them in two days to assess an opportunity, then focus on what can be done in that time frame, rather than on the ideal piece of analysis you would produce given more time.

Tip: When analysing data, it is often more useful to focus on trends rather than on single data points. Trends often give you a more reliable view of what is happening. For example, if you are trying to determine which stores are driving low product availability over the year, then focus on the stores that are experiencing consistent decline over the time period (those trending downwards) rather than focusing on one store that had a low score for a small amount of time. (It would be interesting to know why, but don’t miss the big trends contributing to your low product availability)

7 Bring it all together with a conclusion and indicated actions.

Once you have developed some good insights, the next step is explaining what is happening and how the business should respond. This can be a daunting task for finance teams, as the fear of suggesting the wrong thing can create a lot of pressure. Grounding your “indicated actions” in insights will give you confidence in your proposal.

Tip: Seek to ensure your conclusion-indicated actions are correct by writing them out using the following structure: dilemma, insight conclusion, indicated actions:

“I conclude that the reason for ‘the shortfall in sales’ (the dilemma) is because store staff are struggling to get the stock out onto the shelves as the increase in customer numbers means they do not have enough time to restock (the insight conclusion). I propose a pilot project to increase staff in the stores with the biggest declines in sales. If this is successful, I propose a wider review of resourcing in our stores (the indicated actions).”

8 Prepare a clear insight message for your audience. The previous step, in which you generate conclusion-indicated actions, is based on what is happening and what you need to do next. The critical difference in this step is that you need to build an insight message to convey to your audience. The insight message is often the only part of your process that the audience sees, and if you want to achieve the right impact and influence, the message needs to be clear and engaging.

Tip: Do the “elevator test” to see if you are ready to deliver your insight message. If you were in the elevator with your manager, could you convey your message (the dilemma, the insights, your recommendation) clearly and succinctly in the time it takes to reach the right floor, all in a way that will resonate and inspire the audience to act on your findings?

9 Craft an engaging message. If you want to deliver an engaging message, then logic alone will not be enough. Engagement requires you to connect to people’s emotions. Your message may well have a good structure, clear visuals, clear arguments, and recommendations grounded in your insight findings. But you also need to build an emotional connection by finding the right tone, forming a connection based on shared aspirations, or focusing on how the proposal will directly benefit the insight requestor and their teams.

Tip: Stories are a good way of helping to deliver a more engaging and memorable message. Stories grab people’s attention, bring messages to life, and help link insights to the big picture. For example, if you are trying to put new customer service metrics into context, you could use statistics. “Customer service scores are at 60%. This is a reduction of 10% versus last year, and we need to do better.” Alternatively, you could tell a story that brings your numbers to life. “Last year we were not at our best for 40,000 customers. That is two out of every five customers that came to us. Here are some of the things our customers said and how we impacted their lives by not being at our best…”

For more tips read the CGMA report Six Rules to Delivering a Powerful Financial Presentation at cgma.org/presentation.

10 Build an insight-led culture. Having a framework is a good way to accelerate the insight process. In the insight-led companies that I have worked for, this framework was embedded into the beliefs of their people, which was demonstrated every day in their behaviours. This level of engagement with the principles of the framework allowed these companies to accelerate insight generation, as well as to adapt those principles to address a particular problem when required.

Tip: Always be a role model for insights, giving your teams or colleagues the confidence and the right to be curious and to always seek out the underlying truth as to what is driving performance.

George Pissides (info@thefinanceanalyst.com) has held senior finance and commercial roles at Tesco, Boots, and Caterpillar, where he has used the Define-Determine-Deliver model to generate and deliver insights. His knowledge-sharing website is thefinanceanalyst.com. To comment on this article or to suggest an idea for another article, contact Samantha White, an FM magazine senior editor, at Samantha.White@aicpa-cima.com.
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Journalists take photos of a tube following a propulsion open-air test at the Hyperloop One site in North Las Vegas, Nevada, on 11 May 2016.

Made for **SPEED**

By Kim Nilsen
A few weeks ago, news of the superfast, electric propulsion, tunnel-bound transportation known as hyperloop was popping up in different corners of the globe. Virgin Hyperloop One, which counts Richard Branson as chairman, announced on 18 February the signing of a framework agreement for the development of a hyperloop route between Pune and Mumbai in India, which could cut the two-and-a-half-hour auto commute to 25 minutes.

Days later, Dubai’s Roads and Transportation Authority showed off a sleek model of a Hyperloop One pod for a system that would connect Dubai and Abu Dhabi in a 12-minute commute, well short of the current 90-minute journey.

Entrepreneur Elon Musk would like to build a hyperloop line connecting New York and Washington, D.C. He has also talked of a route in traffic-plagued Los Angeles. Musk’s The Boring Company said it was responding to a request by the city of Chicago for a proposal to construct a loop linking the city to O’Hare International Airport.

It’s unclear whether any of these or other projects will get off, or more precisely, under, the ground. But the technology is an intriguing development in the potential future of how we get from place to place.

Kim Nilsen is publisher of FM magazine.
The Roads and Transport Authority unveiled the design model of the hyperloop in Dubai, United Arab Emirates, on 22 February. Hyperloop technology uses an electromagnetic propulsion system to accelerate the movement of goods and passengers through the vacuum tube at speeds of up to 1,200 km/h.
Towering turbines

The offshore wind energy market for years has been thought to depend on subsidy whims. But giant wind turbines may rise in the next decade to increase efficiency and decrease reliance on subsidies.

Europe’s wind capacity
WindEurope’s “Central Scenario” predicts that market concentration in Germany will decrease from 40% in 2016 to less than 30% in 2020 because of developments in France and Spain.

US wind turbine power
How Siemens Gamesa and Vestas fare in the US wind market.

2017 wind power
Total capacity from January to September

*Does not include 14 GW from projects with no fixed supplier.

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What travellers need to know about cybersecurity

Cultivating a relationship with the IT department is the best first step for executives concerned about cybersecurity while on the road.

By Anna Reitman
In addition to the usual travel hassles, today’s executives on the go have an additional layer of worry: keeping their electronics and information safe. Mobile phones and computers can be stolen or hacked. Searches at airports, and even active surveillance in some countries, can put sensitive data at risk.

Every traveller can take basic precautions — guidelines that most of us have heard before: Don’t use public Wi-Fi connections; don’t connect to the internet without a virtual private network (VPN); use a password manager; and never reuse passwords. (Read more in the sidebar, “The Basics of Keeping Your Info Safe While Travelling”). But for a finance professional on a business trip, such measures are unlikely to be enough.

Finance executives around the world must come to terms with being targets for cybercriminal activities, said Pavan Duggal, president of Cyberlaws.net and an advocate in the Supreme Court of India, among other international appointments in the field of cybersecurity law.

“Cybercriminals want to know the information that is being handled by finance executives, so they must take good precautions, they must have good anti-virus, a firewall,” Duggal said. Computers and smartphones are vulnerable, he added.

“Business executives are not dealing with normal data; they are dealing with monetisable data,” he said.

Work with IT before you go
UK-based computer security analyst Graham Cluley usually provides advice on how people should keep themselves secure, but more recently he finds himself pulling back for perspective.

“Is what I am saying really realistic? There’s a danger sometimes that we will give advice and that people think it’s too over the top, it is too much hassle, and they don’t do anything,” said Cluley.

So what are some basic steps that are necessary — but not overwhelming?

Speaking to the IT team before going is the best step for a financial executive about to travel, Cluley said. He also recommended keeping that channel open and making sure to report the efficacy of measures taken. That’s because IT personnel may not travel for the company themselves and can end up putting systems on devices they’ve never really tried in the field.

“They don’t understand the agony and the pain of trying to reconnect to the office network,” Cluley said. “Report back to them when you have difficulties. If software is not working properly, you are taking greater risks to get online.”

Cluley also recommended using whole disk encryption, a feature available in modern versions of operating systems that is “seamless”, meaning it is operating in the background without the user even realising it. As a user, all that is required to encrypt information on the hard drive is a password, and decryption can happen on
the fly, he said.

Still, such measures will not protect against situations in which authorities insist that a traveller hand over passwords. For example, in a widely reported case, Sidd Bikkannavar, a US citizen who worked at NASA’s Jet Propulsion Lab, was detained at Houston airport, where border agents demanded access to his NASA-issued phone.

Experts warn that ultimately there is no real recourse to this situation, legally speaking. Cluley said that being forced to hand over sensitive information at the border can be avoided by taking a disposable prepaid phone or a laptop that is wiped of all information except that which is essential for the business trip.

Other points for travelling executives to discuss with IT teams include end-to-end encryption for communications and secure cloud storage.

“It security teams need to consider that data is the lifeblood of the organisation,” Cluley said. “But that doesn’t mean that it has to be a huge pain for the user. A lot of the best security works mostly invisibly.”

**Keeping clean with cyber hygiene**

Kim Milford, executive director at Indiana University’s Research and Education Networking Information Sharing & Analysis Center (REN-ISAC), which provides operational security support to more than 500 higher education institutions, recommended keeping checklists and routines to prevent travelling with more data than you need.

“I am not a data hoarder, so my laptop is ready to travel in 20 minutes,” she said.

But someone who keeps all their emails or financials for every quarter may have a lot of information on a computer. Back it up elsewhere, with the assistance of the IT department, then delete it from the computer that’s going with you, Milford suggested.

Communicating with the IT department is essential, she said, in particular to make sure they are aware of all the files and folders that may have sensitive information. Some may be obvious, but, for example, if you have a to-do list that contains sensitive information, IT won’t know to secure it unless you tell them about it.

Executives should use checklists for risks, answering questions such as: Where are your risks? Do you keep sensitive information on a device that you are going to be taking with you? Do you need to have it there?

Milford also recommended a weekly routine, rather than a “right before you travel” routine: identifying what information is on the device being carried, what needs to be protected, whether it is backed up, and whether it can be removed from that device to avoid risk.

“Going through that data and content checklist is going to save you a lot of time before you travel,” she said.

**‘Darkhotel’ and more target travelling CFOs**

In any company, there has to be clear guidance and training so that executives are aware of the dangers of travelling and connecting around the world, said Daniel Cohen, a director and head of products at RSA Security’s Fraud & Risk Intelligence division, part of Dell Technologies.

The challenge is not just about connecting to Wi-Fi; it’s in realising that the technological world is expanding and evolving rapidly, he said.

As a case in point, Cohen referenced the “Darkhotel” attack, whose perpetrators have been reported to be active for around a decade. This attack selectively targets senior-ranking executives staying at high-end hotels in Asia and the US.

It can trick the computer into trusting certain files over the network disguised as software updates, and hackers penetrate the attack within the confines of the hotel network, Cohen explained.

“Good luck protecting yourself if it’s the hotel room,” Cohen said. “Even if you are a trained executive and connecting to the hotel Wi-Fi and are immediately connecting to your VPN, you are communicating with the local network first to get the IP address. In those seconds, malicious actors can already be infecting your computer.”

Moreover, Darkhotel is just one type of attack, but hardly an outlier, he said. Rather, it exposes the modus operandi of attackers: “They are out to get executives, they will learn travel patterns and how to infect the computer.”

Using the mobile phone’s data connection could be one way around this. But again, advanced and persistent attackers, like government-backed hackers, could bypass that, too.

Compromise is an inevitability of the digital age we live in today — we must accept this and spend energies not just on preventing, but also on detecting and defeating, Cohen said.

**Where to be wary**

China and Russia are generally cited as the two most dangerous countries in terms of cybersecurity threats. But other destina-
A number of resources are available for individuals, with one of the most referenced publications being “The Motherboard Guide to Not Getting Hacked” [available at bit.ly/2AJCu1b]. It’s regularly updated with suggestions of trustworthy applications for communications and navigating on the internet.

US Federal Bureau of Investigation (FBI) bulletins about cyber- and travel-related risk are available through the InfraGard program [www.infragard.org], which is available to individuals who sign up and submit to a background check. The FBI’s email updates [fbi.gov/e-mail-updates] are nonclassified and accessible.

The FBI also has a general “Business Travel Brochure” that’s worth looking up.

Meanwhile, the US State Department’s travel advisories [bit.ly/2CVz73] are available to the public.

Most countries have a national CERT (computer emergency response team) that can provide information on vulnerabilities and responses. (See a list at bit.ly/Q2HUC.) Members of the American Institute of CPAs’ Information Management and Technology Assurance (IMTA) Executive Committee; Steve Ursillo, CPA/CITP, CGMA; and Vincent Accardi, CPA, have some added tips for travellers:

- Be wary of links solicited through text messages: They can be travel alerts, scare tactics, or other urgent notifications that trick a user into installing mobile malware or spyware.
- Use device encryption and access control.
- Use mobile device management (MDM), a type of security software used by an IT department to monitor, manage, and secure employees’ mobile devices that are deployed across multiple mobile service providers and mobile operating systems.
- Do not use untrusted phone chargers; they can be used to steal data.
- Use privacy screen protectors (even on phones and tablets).
- Stay off public Wi-Fi and use your own private hotspot.
- Disable all wireless services until you are actually using them.
- Do not openly display company logos or other identifiers while travelling.

Duggal explained.

Threat intelligence analysts in the US are starting to see an uptick in cybercrime activities originating from Latin America, particularly Brazil and Chile, said REN-ISAC’s Milford.

She added that travelling executives can check bulletins from US agencies such as the Federal Bureau of Investigation and State Department for alerts that include cyber and physical threats (see the sidebar, “The Basics of Keeping Your Info Safe While Travelling,” for details). Duggal added that executives should be aware of the data protection laws for the jurisdictions they are travelling through. He noted that on 1 January 2018, China adopted a cybersecurity framework that he described as being focused on national security.

“China wants to give a message that it is having cybersecurity as a topmost priority in its national list of priorities,” Duggal said.

Even if you are a foreign company, so long as your operations are in China, you will be required to comply with requirements of this national cybersecurity law, Duggal explained.

“You should be relatively aware of the fact that if you are travelling to China for work and any of your actions on your device, whether it’s a handheld mobile device or computer, is in violation of the change in cybersecurity law, and if the violation is so detected, you could face potential prosecution,” he said.

Duggal also pointed out that countries without strong cyber law frameworks are potentially subject to far more cybercrime activity, and named Europe, the US, and India as having strong legal frameworks.

On the other hand, developed countries in Latin America lack basic strong protections, as do a number of countries in Africa: “Work has not gone in the direction of having comprehensive data protection and data privacy legislation in place,” he said.

RSA’s Cohen said that any country could be a danger: “If an attacker group wants to get into your organisation, they are going to study your activities and learn where you travel.”

“It’s humans that develop technology and humans make mistakes, and this is leveraged by malicious actors to infect your computer and get into your digital life,” he added.

Anna Reitman is a freelance journalist based in Israel. To comment on this article or to suggest an idea for another article, contact Chris Baysden, a senior manager for FM magazine, at Chris.Baysden@aicpa-cima.com.
Revolutionary
Corporate executives are increasingly worried about geopolitical instability — and with good reason.

By Russ Banham

Prior to the 2011 uprising in Egypt that led to President Hosni Mubarak’s stepping down from power, multinational building materials company Cemex developed a plan to manage fallout from just such a political crisis.

That plan came in handy: Within a few weeks the Egyptian military dissolved the country’s parliament and suspended its constitution. Like many sophisticated multinational businesses, Mexico-based Cemex, which had significant operations in Egypt, had assembled an enterprise risk management (ERM) programme that included strategies for handling global political risks.

Months before the uprising, Enrique Alanis, Cemex’s global director of ERM, and his team received intelligence from within and outside the company that “something was not right”, he said. “The information was gathered from our own people in the region, as well as external people like market experts, industry trade groups, suppliers, and vendors. We also incorporated public sources of information like the internet, media reports, and public forums.”

Armed with this insight, the company quickly took action. “The advance warning gave us time to prepare for how we would address the situation,” said Alanis. “We had a strategy ready that pointed out [to the new regime] that Cemex was good for the country.”

The company successfully communicated to the new leaders that it provided significant employment, and building products that many diverse businesses relied upon in Egypt. The result: Cemex...
was able to continue its business operations without missing a beat.

Alanis said: “At all times, our goal is to stay ahead of potential risks [and] to be ready if they occur.”

Not all companies are as fortunate. Disastrous outcomes have included the confiscation, expropriation, and/or nationalisation of a company’s assets in a foreign country. Examples over the years are far too numerous to cite, but they provide a cautionary tale for all multinational companies operating in politically unstable regions of the world.

In recent years, emerging economies such as Thailand, Myanmar, Brazil, Turkey, and the Philippines — countries that had achieved some measure of stability for several years — have experienced their share of political turmoil. They’re not alone: According to the 2017 Government Stability Projection by consulting firm Verisk Maplecroft, more regions of the world are likely to experience a decrease in government stability in the next two years, with developing markets being the most susceptible. Among the factors behind these risks, according to Verisk Maplecroft, is anticipated volatility in US global trade and policymaking, underscored by the country’s withdrawal from the Trans-Pacific Partnership trade deal and US President Donald Trump’s threats to pull the US out of the North American Free Trade Agreement (NAFTA) with Canada and Mexico, in addition to global factors including Brexit.

The study underscores a growing concern of many C-suite executives, including CFOs. Another example: A survey by McKinsey & Co. in 2016 found that the number of corporate executives identifying geopolitical instability as a “very important business trend” had doubled over the past couple of years.

“Among the 13 trends we asked about, respondents most often expect that domestic political instability, as well as slowing growth in developed economies, will pose a threat to profits in the next five years,” the study stated. “… Yet a vast

majority say their organisations are not yet taking active steps to address these issues.”

When things go wrong

This complacency may have disastrous results for finance departments. Aside from asset expropriation, political instability also can lead to currency inconvertibility, a situation where one currency cannot be exchanged for another currency. Contracts in the foreign country may be repudiated — the duties of one party to another frustrated. Additionally, the sovereign nation may default on payments owed the company and/or wrongfully call on-demand bonds and guarantees. Banks, exporters, and investors owed money from foreign buyers may never see these receivables.

There’s also the possibility of violence and the detention of employees — something that Cemex was watching for. “As part of our ERM process, we had developed early warning systems of potential problems like political insurrection and riots across our global footprint,” said Cemex’s Alanis.

Emerging economies are not the only countries vulnerable to shifting political winds. Powerhouse economies such as the

What CFOs need to know about political risk insurance

Political risk is increasingly on the radar for multinational companies, given rising concerns over geopolitical instability. One way companies try to mitigate the risks is through political risk insurance.

No two insurance policies are alike; each includes specific terms, conditions, and prices based on the perceived political risks in different nations. However, even in countries deemed to be at high risk of a political event, some measure of insurance is available.

“You can get it pretty much everywhere you need it, even in perceptibly high-risk countries,” said Stephen Kay, practice leader for structured credit and political risk at insurance broker Marsh. “We recently were asked if we could get political risk insurance for a client in West Africa, which has a very uncertain political climate. We could.”

Marsh also recently brokered a political risk insurance policy for a foreign company operating in South Korea that included full-breadth coverage, including the risk of war with North Korea. “The reason insurance markets took up the risk is that the company is located at the southern tip of the Korean peninsula, enough of a distance away from the border with North Korea to provide some semblance of comfort,” Kay explained.

Insurance carriers selling political risk insurance include large international insurers like AIG, Zurich Insurance Group, Chubb, Great American, and Lloyd’s of London, among others. The US federal government’s Overseas Private Investment Corporation also offers the insurance. “Multinational companies generally can buy ample insurance coverage to protect foreign assets in most regions of the world, albeit at a price,” Kay said.

The premium depends on the market’s assessment of a country’s political risk. Current hot spots include Venezuela, Argentina, Bolivia, and Ecuador in Latin America; Cambodia, Myanmar, and Thailand in Asia; Syria, Libya, Yemen, and Afghanistan in the Middle East; and multiple countries in sub-Saharan Africa.
US and Britain also are susceptible. Voters’ dissatisfaction with the status quo in both nations fostered the election of a populist president in the US and approval for Britain to exit the EU. These decisions have generated serious questions about potential de-globalisation, with a corresponding impact on business prospects.

Lurking in the corners
Despite these sobering concerns, many companies move forward with their global strategies, their eyes focused on growth more than on the impediments in the way. “Often the reasons to do business in an emerging economy are so enticing they appear to outweigh the risks,” said Daniel Wagner, CEO of Country Risk Solutions, an operational risk management consultancy. “But it’s folly to think a country that has been politically stable for several years will remain stable tomorrow.”

Managing the risks and rewards
Political risks are not limited to companies that conduct business on the ground in a country. “Almost every business is global in nature today, simply because their supply chains are global and their customers are often global,” said Bodhi Ganguli, lead economist for Dun & Bradstreet’s country risk team. “Companies no longer produce and sell in one place anymore. If a coup breaks out in a country where a critical component is manufactured, it can put the brakes to the production line.”

Consequently, virtually all companies must heed global geopolitics. How can they manage a complex risk that takes on the guise of a multiheaded Hydra? “You need to weigh the strategic value of doing business in a country against the array of political risks, measuring the pros and cons,” said Charles Stevens, an assistant professor of management at Lehigh.

‘At all times, our goal is to stay ahead of potential risks [and] to be ready if they occur.’

Enrique Alanis, Cemex’s global director of ERM
University, where his academic focus is on global strategy and political risk.

Several organisations can provide insightful intelligence on political risks, including the World Bank, the Overseas Private Investment Corporation, The Economist Intelligence Unit Viewswire, the US Export-Import Bank, private intelligence organisations like Kroll, and large insurance brokers and insurance companies like Marsh, Aon, and AIG.

“There is no absence of information that can be obtained,” Wagner said. “The problem is that as soon as it is produced, a period of time that can consume several weeks, it can become obsolete and irrelevant. It’s better to have local people on the ground who really know what’s going on to provide ongoing, real-time intelligence.”

One such source may be a local organisation that partners with the company in sharing the risks and rewards of the opportunity. “It makes sense to choose a joint venture partner, particularly one that knows the ins and outs of the region,” Wagner said. “Look for a partner that knows the local political landscape and understands the legal regime, preferably one with government contacts to get in front of a problem before it rears.”

A related tactic is to secure local equity and debt to help finance the business venture. When local firms, trade unions, financial institutions, and government agencies have a stake in the venture, it can reduce adverse consequences. To get this buy-in, some companies pledge to financially assist the host country in improving quality-of-life objectives.

But even the best plans can falter, so companies also need to consider the financial value of political risk insurance. Depending on the coverage particulars, political risk insurance generally absorbs financial losses due to the following conditions:

- **Political interference.** The nationalisation and/or expropriation of assets by the host government.
- **Political violence.** Strikes, riots, civil insurrections, and civil war, in addition to a hostile act like a coup.
- **Currency inconvertibility.** Imposition of local currency controls making it difficult to receive hard currency payments.
- **Sovereign nonpayment.** Nonpayment of financial commitments, obligations, and loans by the host government.
- **Supply chain disruption.** Political, social, economic, or environmental instability that causes a disruption in the flow of goods and/or services into and out of a country.

**Readiness is crucial**

When political instability threatens, the first priority for companies is the security of their employees. Stevens advocated the use of smartphone apps and hotlines that can alert local employees when trouble is brewing. “Your people can be scattered throughout a country; hence the prudence in giving them the means to instantly know what to do wherever they are,” he said. “They should also contact their local embassy and have their passport on them at all times.”

To reduce risk, many multinational companies employ local citizens. If a company needs to evacuate employees who are not citizens of the country, those remaining can continue some measure of business operations.

Even with the best due diligence, the unexpected can happen. “Sometimes you don’t know you have a problem until you have one,” said Wagner, who also is the author of the books *Managing Country Risk* and *Virtual Terror.* “That’s why we advise you proactively have a plan in place for worst-case scenarios.”

**‘It’s folly to think a country that has been politically stable for several years will remain stable tomorrow.’**

Daniel Wagner, CEO of Country Risk Solutions, an operational risk management consultancy

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An Egyptian trader reads a local newspaper, which features coverage of clashes between protesters and security forces, at the Egyptian stock exchange in Cairo on 20 November 2011.

**PHOTO BY AMR NABIL/AP IMAGES**

‘It’s folly to think a country that has been politically stable for several years will remain stable tomorrow.’

Daniel Wagner, CEO of Country Risk Solutions, an operational risk management consultancy

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**Russ Banham is a freelance writer who is based in the US. To comment on this article or to suggest an idea for another article, contact Chris Baysden, a senior manager for FM magazine, at Chris.Baysden@aicpa-cima.com.**
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The IF function may be the best known and most important function, but flags can make a spreadsheet easier to understand in the right circumstances.

By Liam Bastick

For many of those who create financial models, the most important function in Excel is the IF function. Financial professionals can use IF in various ways to solve common issues they encounter. This article examines the best ways to employ the IF function — as well as another champion for evaluating conditions, flags — with financial models.

**IF at first**

The syntax for IF demonstrates just how useful this function is for financial modelling: =IF(logical_test,[value_if_TRUE],[value_if_FALSE]).

This function has three arguments:

- **logical_test**: This is the “decider”, ie, a test that results in a value of either TRUE or FALSE. Strictly speaking, the logical_test tests whether something is TRUE; if not, it is FALSE.

- **value_if_TRUE**: What to do if the logical_test is TRUE.

- **value_if_FALSE**: What to do if the logical_test is FALSE.
It is usually better to step out a calculation. If it can be followed on a piece of paper (without access to the formula bar), then more people will follow it.
Even using these logic functions, formulas may look complex quite quickly. There is an alternative: flags. In the most common form, flags are evaluated as \(=(\text{condition}=\text{TRUE})*1\). Using \(\text{condition}=\text{TRUE}\) will give rise to a value of either TRUE or FALSE; the brackets will ensure this is evaluated first; multiplying by 1 will provide an end result of zero (if FALSE, as FALSE*1 = 0) or one (if TRUE, TRUE*1 = 1). I know some modellers prefer TRUEs and FALSEs everywhere, but I think 1's and 0's are easier to read (when there are lots of them) and, more importantly, easier to sum when you need to know how many issues there are, etc.

Flags make it easier to follow the tested conditions. Consider the formulas in the screenshot “Using Multiple Flags for AND.”

In this illustration, you might not yet understand what the MOD function does (check out “A Modicum of MOD” at tinyurl.com/y7s3albn for more details). But you can follow each of the flags in rows 4 through 7 without being an Excel guru. Row 9, the product, simply multiplies all of the flags together (using the PRODUCT function allows you to add more conditions and rows easily). This produces an AND flag, ie, all tests have to be true. If I wanted the flag to be a 1, as long as one of the above conditions is TRUE (ie, creating an OR condition), that is easy, too, as shown in the screenshot “Using Multiple Flags for OR.”

Flags frequently make models more transparent, and this example provides a great learning point. Often, we mistakenly believe that condensing a model into fewer cells makes it more efficient and easier to follow. On the contrary, it is usually better to step out a calculation. If it can be followed on a piece of paper (without access to the formula bar), then more people will follow it. If more can follow the model logic, errors will be more easily spotted. When this occurs, a model becomes trusted and therefore is of more value in decision-making.

**Word to the wise**

A word of caution: Sometimes you just can’t use flags. Let me go back to my first example in this section — but this time using the flag approach as shown in the screenshot “Using the Flag Approach to Evaluate the Quotient Numerator/Denominator.”

Here, the flag does not trap the division-by-zero error. This is because this formula evaluates to =#DIV/0! x 0, which equals #DIV/0!. If you need to trap an error, you must use an IF function.

Liam Bastick is director of SumProduct, a global consultancy specialising in Excel training, spreadsheet modelling, and the Power BI suite of tools. Send ideas for future Excel-related articles to him at liam.bastick@sumproduct.com. To comment on this article or to suggest an idea for another article, contact Jeff Drew, an FM magazine senior editor, at Jeff.Drew@aicpa-cima.com.
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South Africa’s Cape Town region is experiencing a severe drought and has been seeking to limit water consumption in an effort to stave off “day zero” — the point at which most taps would be shut off.

Business and tourism groups and local government issued a joint advisory encouraging businesses to closely measure and manage their water use. The advisory also spelled out business continuity measures to consider and warned businesses that, if the situation escalates and taps begin going dry, they and their suppliers could be affected and their employees may not be able to work because they will be queuing for their daily allocation of water.

Nearly 80% of Cape Town businesses responding to a survey by the Cape Chamber of Commerce & Industry reported that the lack of water had become a threat to their business. The survey, conducted in January, showed that 87% of the respondents had slashed their water consumption by 50% or more. Just over one in four respondents in the chamber survey said they had stopped or postponed investments in their businesses as a result of the water shortage.
Drought in South Africa

South Africa has declared a national disaster over the drought afflicting its southern and western regions including Cape Town, which may run out of water in the next few months.

Dried Cape Town

Actual rainfall compared to the mean precipitations since 2014, for each calendar month

<table>
<thead>
<tr>
<th>Month</th>
<th>2017</th>
<th>April</th>
<th>July</th>
<th>October</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td></td>
<td></td>
<td>120 mm</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>Average</td>
<td>100</td>
<td>60</td>
<td></td>
<td>40</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: Reuters.
Focus on principles-based regulation is needed, says the Association

The Association of International Certified Professional Accountants has welcomed the principles-based approach to regulation taken by the UK’s Financial Reporting Council (FRC) in its draft Corporate Governance Code, published in early December 2017.

The Association responded to the consultation on the FRC’s draft code in February.

Andrew Harding, the Association’s chief executive, management accounting, said: “Trust and reputation, supported by a proportionate regulatory framework, are critical to an organisation’s long-term strategic success. These factors reinforce all manner of decisions from investment through to attracting customers and talent. For this reason corporate governance must seek to drive effective decision-making, underpinned by the right behaviours, which promotes better business, trusted by society.”

He added: “We look forward to working with the FRC, business, and other stakeholder bodies in bringing this about and to a sharper focus on principles-based regulation.”

David Hackett, research and development technical manager who is leading this work at the Association, said: “The existing Corporate Governance Code is 25 years old and has made a positive impact over time. However, we believe there is a need for companies to explain better how value is captured. Their strategic reports should show how good governance and the way in which value is created for stakeholders are connected, in order to improve society’s trust in business.”

‘... Corporate governance must seek to drive effective decision-making.’
Andrew Harding, chief executive, management accounting

CPD monitoring — accredited employers

All CIMA members are required to undertake CPD and keep a record of their development activities. To ensure standards are being maintained, we select a random sample of members each year to submit their CPD records for review.

Exemption from the CPD monitoring process is available to members who work for Premier Partner and CIMA Development Quality Partner employers. To check whether your employer is accredited, please visit www.cimaglobal.com/cimadev.

If you work for an accredited employer, it’s essential that your CIMA record is up to date so that we know who you are. To update your record, log in to your My CIMA account and select My details > My personal and employment details.

If your employer isn’t listed, and you believe it is currently accredited, please email cima.contact@aicpa-cima.com.
Recent disciplinary cases

Linda Aldous, FCMA, CGMA, and Debbie Simpson, ACMA, CGMA, both of Braintree, United Kingdom.
The Investigation Committee found prima facie cases of misconduct against business partners Aldous and Simpson in relation to a complaint that they had failed to hand over a former client’s documents to a superseding accountant. These included draft and filed accounts, correspondence with HMRC, tax returns and computations, and confirmation that all tax liabilities for agreed assessments had been paid and any overpayments repaid. As such, there was a real prospect that they would be found to have failed to demonstrate professional behaviour and competence as required by CIMA’s Code of Ethics and would therefore be found guilty of misconduct under the Laws of the Institute. Both Aldous and Simpson agreed by way of a consent order to the imposition of the sanction of a reprimand and each to pay costs in the sum of £456, without further proceedings. NB: The IC considered the complaints against Aldous and Simpson separately.

Samia Alam, registered student, of Colombo, Sri Lanka. The Disciplinary Committee found Alam guilty of misconduct in that she participated in a WhatsApp group conversation within which, during the examination window, information relating to the November 2016 Operational Case Study examination was shared, discussed, and requested. This was in breach of CIMA’s Exam Scheduling Terms and Conditions, Non-Disclosure Agreement, and the Code of Ethics. The Committee imposed the sanction of a severe reprimand and order to the imposition of the sanction of a reprimand and Alam’s examination result for the November 2016 Operational Level Case Study Examination was declared void. She was also ordered to pay a contribution of £330 to CIMA’s costs.

Clare Conroy of Andover, United Kingdom. The Disciplinary Committee found Conroy guilty of misconduct in that she failed to provide her clients with year-end accounts and other agreed services between 2012 and 2014 despite fees having been paid. She also failed to issue invoices to the businesses and failed to submit tax returns in accordance with the engagement letter. She then failed to reply appropriately, in a timely manner, or at all to correspondence on behalf of the businesses from April 2015 onwards and failed to act diligently with the return of the business records including an online accounting package. She was therefore in breach of the Laws of the Institute, in particular the fundamental principles of professional behaviour and professional competence and due care of the CIMA Code of Ethics. In addition, whilst practising as an accountant, Conroy was not registered as a CIMA Member in Practice and was therefore in breach of Regulation Part I.12, Member in Practice Rules 4 and 12, and the fundamental principles of integrity and professional behaviour of the Code of Ethics. The Committee imposed the sanction of expulsion from the Institute and ordered Conroy to pay a contribution of £9,225 towards CIMA’s costs.

Paul Skarbek of St Albans, United Kingdom. The Disciplinary Committee found Skarbek guilty of misconduct for failing to provide professional clearance and working papers to a superseding accountant. He had therefore failed to comply with the Laws of the Institute in that his actions constituted a breach of the fundamental principles of professional behaviour and professional competence and due care of the CIMA Code of Ethics. In addition, whilst practising as an accountant, Skarbek was not registered as a CIMA Member in Practice and was therefore in breach of Regulation Part I.12, Member in Practice Rules 4 and 12, and the fundamental principles of integrity and professional behaviour of the Code of Ethics. The Committee noted that at the relevant time, Skarbek’s clients were negotiating the sale of their business and this information was vital. Furthermore, practising when not registered to do so undermines the system of professional regulation and brings the profession into disrepute. The Committee imposed the sanction of expulsion from the Institute and ordered Skarbek to pay a contribution to CIMA’s costs in the sum of £7,225.

Amelia Chappell, registered student, of London, United Kingdom. The Investigation Committee found a prima facie case of misconduct against Chappell in relation to a complaint that she participated in a WhatsApp group conversation within which, during the examination window, information relating to the November 2016 Operational Case Study examination was shared, discussed, and requested. This was in breach of CIMA’s Exam Scheduling Terms and Conditions, Non-Disclosure Agreement, and the Code of Ethics. Chappell agreed by way of a consent order to the imposition of the sanction of a severe reprimand without further proceedings.

Abdul HameedWasil Azaam of Kaduruwela, Sri Lanka. The Appeal Committee upheld the finding of the Disciplinary Committee that Wasil Azaam was guilty of misconduct. Wasil Azaam had created and participated with others in a WhatsApp group conversation within which, during the examination window, information relating to the November 2016 Operational Case Study examination was shared, discussed, and requested. This was in breach of CIMA’s Exam Scheduling Terms and Conditions, Non-Disclosure Agreement, and the Code of Ethics. The Committee had imposed the sanction of cancellation of Wasil Azaam’s student registration and ordered him to pay costs of £330. The Appeal Committee ordered that he pay a further £500 towards the cost of the appeal.
The best job interview questions
By Sylvia Edwards Davis
Page 20
In today's competitive landscape, hiring executives must sharpen their recruiting skills to find that rare gem — a candidate who's smart, creative, and a good fit in the workplace. With that in mind, we asked experienced executives to give us an example of a “go-to” question that they pose to finance candidates — either because it is essential or because it can reveal a good match.

Preparing for success in your next job interview
By Duncan Brodie, FCMA, CGMA
Page 24
Moving up the career ladder requires converting job interviews into job offers. A structured approach to preparing for an interview can help pave the way for success. The strategy outlined in this article suggests committing to at least ten hours of preparation time and using that time in a 20/40/40 manner. Spend 20% of your time researching the organisation and sector. Spend 40% of your time identifying potential questions and drafting answers. Spend 40% of your time answering those questions out loud. Learn more about the approach and get preparation tips in this article.

Disrupting from within at UBS
By Oliver Rowe
Page 28
At UBS, Shane Williams and Nick Middleton have rapidly built a team and a scalable data-driven business, SmartWealth, that provides digital investment advice for an audience beyond the bank’s traditional high-net-worth clients. This interview, with SmartWealth’s “intraprendureal” co-heads, discovers how the six-minute client onboarding process relies on AI and natural language processing in particular to do the required due-diligence checks. Over a year, the “startup” developed into a team of 70 that depends wholly on the collection and analysis of data at different points in the customer journey.

Business automation lessons from the aviation industry
By Peter Gillespie and Darragh Owens
Page 32
Though automation has made a significant contribution to improving the safety of air travel in recent years, overdependence on technology has in some respects raised a barrier to achieving further improvements. A similar overdependence can exist in companies if managers no longer fully understand how their processes function or how to recognise an emerging issue, for example. The authors set out the challenges automation has posed to the aviation sector and make recommendations as to how business managers can avoid a “loss of control” situation. These include considering the inherent risks of implementing such technology and getting involved in setting the parameters for business process automation.
10 ways to generate and deliver great insights
By George Pissides, FCMA, CGMA
Page 36
Insight-driven companies excel at interpreting diverse data sets and turning them into actionable insights that inform the decision-making process and, ultimately, drive performance. The author describes this process with the aim of helping finance professionals define the benefit of a particular piece of analysis for the wider business, select the appropriate technique, generate insights, and, finally, deliver a message that makes an impact on the audience. Seeking input and advice from employees who know the area of operations well is one of the practical tips provided for each step.

What travellers need to know about cybersecurity
By Anna Reitman
Page 46
In addition to the usual travel hassles, today’s executives on the go have an additional layer of worry: keeping their electronics and information safe. Mobile phones and computers can be stolen or hacked. Searches at airports, and even active surveillance in some countries, can put sensitive data at risk. Every traveller can take basic precautions — guidelines that most of us have heard before. But for a finance professional on a business trip, such measures are unlikely to be enough.

Revolutionary thinking: Why CFOs should account for political instability
By Russ Banham
Page 50
Political instability has long been a concern for giant, multinational companies operating in certain emerging economies. But globalisation — along with a wave of increasing nationalist sentiments, even in developed economies — has made more firms vulnerable to the tides of history. Here’s what companies need to consider to protect themselves.

Tips for evaluating conditions in Excel
By Liam Bastick
Page 56
The IF function plays a key role in creating financial models in Excel. This article examines various ways financial professionals can use IF to address common problems. For example, an accountant could employ the IF function to automate a decision in a financial model, helping management with decision-making and What-if analysis. In addition, because logic tests in the IF function can become quite complex, this article shows how to use flags in Excel to simplify the testing of the decision-making aspects of the model.
What your chronotype is and why it matters

When planning your day, you should match the time and task to your energy levels, says author Daniel Pink.

By Samantha White

The time of day you perform a particular task can have a material effect on your productivity, your creativity, and, ultimately, your happiness, author Daniel Pink asserts in his latest book, *When: The Scientific Secrets of Perfect Timing*. His book draws on research from the fields of psychology, biology, and economics to highlight the hidden pattern of the day and how everyone can work smarter. “Time-of-day effects explain about 20% of the variance in human performance in work tasks,” he said at a lecture in London in January. Pink shared the following advice with the audience:

Your chronotype affects your mood and performance

Your chronotype refers to your body’s natural rhythm or inner clock. Research shows that for the majority of people ("larks", or early birds — approximately 50% of the population) mood peaks early in the morning, troughs in the late afternoon, and recovers in the evening. Night owls (20% of the population) move through the day in the opposite direction (beginning with recovery, followed by a trough, peaking later in the day).

To determine your chronotype, answer the following questions:

- On a day when you don’t have to wake up to an alarm clock, what time do you typically go to sleep?
- What time do you naturally wake up on a free day?
- What is the midpoint between those two times?

If the midpoint is before 3.30am, you are a lark. If it’s after 5.30am, you’re an owl. If it is somewhere in between, you are a "third bird", according to Pink.

For the best performance, match your chronotype (whether you are a lark or an owl) to the task and the time of day.

**Peak**: When you are at your peak, you are better at analytical work.

**Trough**: Do administrative tasks, complete expense reports, or reply to straightforward emails.

**Recovery**: This is the time to work on insight problems (ie, questions that are not purely mathematical and do not have an obvious solution). You are better at doing insight work in your nonoptimal time of day because your mood is higher than during the trough, but your vigilance is lower than during the peak. This combination lends itself to creative work, such as brainstorming and iteration of ideas.

Breaks are an essential part of doing good work

A 10- to 15-minute break with the following conditions restores mood and elevates vigilance, and you should schedule them in the way you schedule meetings:

- **Something beats nothing.** If you can take only a two-minute break, do it.
- **Moving beats stationary.** Get away from your desk.
- **Social beats solo.** A break is more restorative if you take it with somebody else (as long as you can choose with whom you spend it).
- **Outdoors beats inside.** The replenishing effects of nature are spectacular.
- **Fully detached beats semi-detached.** You’re better off if you don’t talk about work or take your phone with you.

Samantha White is an FM magazine senior editor. To comment on this article or to suggest an idea for another article, contact her at Samantha.White@aicpa-cima.com.
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