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Print issue changes
FM is now shipped whenever possible without plastic wrapping in an effort to reduce waste. The paper used in FM is made from wood grown in Forest Stewardship Council-certified forests, recycled material, or controlled wood, and the ink is environmentally responsible.
We live in disruptive times, and the constant state of change is impacting the finance function. As the pace of change accelerates, it’s transforming not only our organisations, but also what we do and how we do it.

At CIMA, we believe finance professionals must take charge during this uncertainty. Rather than enduring the turbulence, we must stay in the driver’s seat, guiding our organisations, businesses, and communities through change. After all, being at the heart of business, we are best positioned to do so. But to succeed as leaders, we must reimagine the possibilities for ourselves, our organisations, and our teams.

Regardless of our level within an organisation — whether we’re a CFO or in an entry-level position — as part of the finance function, we are leaders and stewards. Through our skills and adherence to ethics, we power trust, influence decision-making, and enable organisations to seek and grasp new opportunities.

Leading through disruption isn’t easy because change itself is uncomfortable. However, we have to empower and inspire our teams to embrace it courageously.

Leading through disruption isn’t easy because change itself is uncomfortable. However, we have to empower and inspire our teams to embrace it courageously. Sitting back, resting on our laurels, and simply hoping we are doing enough will not drive success in the long run.

Of course, this ambition comes with risks, but gambles are necessary if we want to evolve. Without taking calculated risks, we box ourselves into what is known and familiar. By stepping out of that box — and out of our comfort zones — we can achieve what we never thought was possible.

Being a leader is about more than fulfilling our own ambitions, however. It’s much bigger than that. To be effective, we have to go beyond ourselves. This means looking for ways to raise those around us, focusing on their goals, success, and prosperity — as much, if not more, than our own. It is our responsibility as leaders to give back and inspire those who come after us.

CIMA, through the Association of International Certified Professional Accountants, focuses on enabling our global network of members and students to achieve new heights. We have resources, learning, and research that finance professionals like you can use to become well-rounded leaders. These include CPD courses on technologies like cryptocurrency and data analytics, human intelligence skills, and other career development essentials. If you have the heart, the passion, and the drive to lead, we can give you the tools to succeed. Because at its heart, CIMA is made up of people like you, driven by passion and dedicated to your success.

In my travels as CIMA president — and even before, as I worked in countries around the world — I have seen firsthand how CIMA members like you are embracing change and your leadership roles. You are visionaries, leading with a boundless passion that drives everything you do. And it drives my work, too.

My position with CIMA is powered by passion — for the work, the profession, and, most importantly, members and students. Helping you succeed has been my focus throughout my presidential year, and it will continue to be central to all I do going forward.

Soon, I will step down as CIMA president, but this doesn’t mean I will back away from my commitment to the profession. I will continue on my mission to empower and inspire those around me to take bold steps into our new and bright shared future.

Confronting disruption can feel intimidating, but no one is more prepared to address these changes than you. Determine how you can take the lead in your organisation and move ahead.
n recent years, the view of what makes a good leader has broadened — the general leading an army is now one of a whole portfolio of leadership styles. It means that top jobs can accommodate a variety of personalities and personal qualities. And leadership is better for that diversity of approach.

What are the qualities you value in leaders? Determination? Certainty of purpose? Vision?

For me, three qualities stand out in a good leader. First, an effective leader is someone who can “join the dots” between functions in their organisation. This is a quality that is not as common as it ought to be, since it requires a broad mix of skills. You need to know your business inside out, including the people, their tasks, and their skills. To do this means communicating clearly and driving performance with the right key performance indicators.

This is good news for those of us in the finance function, as systems thinking is what we are good at. We do not just produce the annual accounts, we collect data and gather insights. We have a unique view of where the money goes — or does not go. We know what happens when it is added or removed. It helps us see where businesses can be improved, which is what leaders are meant to do. Career-wise, you are in a great position to make the move to the C-suite.

Second, leadership is knowing what to measure to achieve success. Leaders need to be keenly attuned to setting the right targets — set an ambitious target and pursue it relentlessly is my mantra — and give those targets to the right people. If you can give people the opportunity to properly use their strengths, and to excel, you will soon see the benefits.

Third and finally, my view is that leaders should be allowed to feel emotions, too — controversial, I know. For that, resilience is fundamental. It is a skill which, if you keep practising it, will serve you well when you reach the top. The image of the leader impervious to setbacks or criticism is unrealistic. It is a recipe for poor mental health and sets the wrong example. Resilience means being able to recover when things go wrong, learn lessons, and move on positively. Then repeat. Anything else lacks authenticity.

Nearly everyone can be a leader, but knowing your business, understanding what to measure, and using emotional intelligence is a strong formula that will make you stand out.
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When a supply shortage in nature failed to satisfy a demand increase, Craig Stoddart saw an opportunity to apply his management accounting skills to a sport he has since become passionate about: surfing.

Surfing is one of the UK's fastest-growing sports. According to the British Marine Watersports Participation Survey, participation grew 40% between 2015 and 2017.

Stoddart, ACMA, CGMA, an entrepreneur and surfing enthusiast, said that while demand for surfable waves is rapidly increasing, there is, clearly, no increase in supply. Stoddart plans to capitalise on this opportunity by building a large-scale inland surf park business. The first location of The Wave, near Bristol in the west of the UK, opened at the end of October.

Craig Stoddart, ACMA, CGMA, standing above The Wave Bristol surf park in the UK, predicts the company will have ten surf parks operating worldwide within the next decade.
Entrepreneurial finance: A guide

Entrepreneurs who want to raise funding for their dream ventures need lots of perseverance and some ingenuity to find the money they need, says Thomas Hellmann, professor of entrepreneurship and innovation at Oxford’s Said Business School in the UK. So, what practical steps can entrepreneurs take to fund their ventures? Here are the main options:

- **Family and friends:** Borrowing small amounts from family members may be an option for some — or asking for a little help from friends. The first cheque in most ventures actually comes from those closest to the entrepreneur.

- **Angel investors:** These are wealthy private individuals who fund startups in return for equity. In some countries, like the UK, and also in some US states, there are generous tax credits that make angel investing fiscally attractive. The best angel investors are often those who started companies themselves and understand what it really takes to build a successful venture.

- **Crowdfunding:** Many companies raise money through crowdfunding campaigns, seeking donations through platforms such as Kickstarter (kickstarter.com). There is also the possibility of raising equity finance on crowdfunding platforms, such as Seedrs (seedrs.com) or Crowdcube (crowdcube.com) in the UK, two pioneering platforms that connect startups with angel investors, providing a well-defined support structure for raising equity financing. African entrepreneurs can turn to crowdsourcing platforms, Afrikstart (afrikstart.com) or Uprise.Africa (uprise.africa), which pairs investors and entrepreneurs. In China, e-commerce site Jingdong (jd.com) launched the crowdfunding platform Coufenzi (coufenzi.com).

- **Corporate venture capital:** Many startups get funded by striking alliances with established companies. These investments often involve not just equity but may also be part of a broader strategic alliance, for example, a research collaboration or distribution agreement. Institutional investors also may be a source of funding for startups.

"The supply of surfable waves is obviously limited by nature," Stoddart said. "Down at the beach, even at really good surf beaches, 70% of the time, there are no waves to surf. They’re either too big, too small, or... the tide doesn’t make them surfable."

In an hour or two hours you might get one or two good waves, he said, whereas at The Wave most people get “up to about 15 waves per hour”.

He said the other part of the supply equation is that the vast majority of the population live a long way from the UK’s surfing beaches, “so you have the combination of lack of supply and high growth, and that makes it a real opportunity.”

Stoddart projected that The Wave Bristol will be the first of ten surf parks over the next ten years for the company — initially in the UK, then elsewhere in Europe and then at global locations.

The Wave Bristol has the potential to attract 300,000 visitors a year to enjoy the sport, as well as nature walks, retail stores, and “glamping” (glamorous or high-end camping) accommodations.

He explained that the surfing area of the 100-acre site is an “enormous lake — we’re talking the size of five football pitches”.

The process he used to build the park is a useful case study for management accountants working with startups, as it involved developing new technology, obtaining financing, and having a keen awareness of market positioning.

**Technology solution**

Technology has been a critical part of the project, Stoddart said — both in determining the shape of the lake’s bottom and how the waves themselves are created.

The wave-making technology has been supplied by a Spain-based company, Wavegarden. The company’s previous “Lagoon” technology was deemed by Stoddart and his partners at The Wave as commercially unviable because of its low wave capacity and its many single points of failure. For Stoddart, addressing those issues with Wavegarden has been a collaborative process. “We have been shaping their thinking about what makes it commercially viable. I would say we’ve been pretty influential in determining that,” Stoddart said.

**Financing**

The Wave was started with £500 by its founder Nick Hounsfield — a long-term friend of Stoddart. Stoddart, who is now CEO, came on board as an early investor, became a nonexecutive director, and supported crowdfunding of £250,000. Angel investors helped steer the planning and design process (see the sidebar, “Entrepreneurial Finance: A Guide”).

With planning permission and the land ready, further funding was required for construction. Stoddart and Hounsfield spent two years pitching to more than 250 investors. Those investors weren’t convinced of Surf Loch, the American technology that Stoddart and the team were considering at that time. However, a
telephone call from Wavegarden about its new technology led key investors to travel to Spain to try it.

That was a turning point, Stoddart explained. “One of the investors who had never surfed before in his life, had never put a wetsuit on ... by the end of the hour, he was riding the big two-metre-high wave, screaming, ‘Where do I sign?’”

Expansion

“Part of this is a little bit like a gold rush,” Stoddart said. The plan to build five parks in five years and ten in ten years working with Wavegarden as the technical supplier would position The Wave as “one of the key players” in this market, he added.

The company’s plans include opening a surf park in 2023 in the Lee Valley Regional Park in the north east of London, which includes much of the land used for the 2012 London Olympic and Paralympic Games. As part of the Games’ legacy, a new body, London Sport, was set up with the aim to get 1 million Londoners more active. The Wave’s site fit neatly with that objective.

The site was originally a golf course that was losing money in an area oversupplied with courses. A total of 30 bidders took part in a six-month tender process, which was won by Stoddart and The Wave’s team.

Preserving intellectual property (IP) rights has been crucial, he explained. The company’s team structure, systems, and supply chain have been designed to achieve that.

“So, all of our design team, our engineers, our architects, our project managers are all exclusively working with us in the surf park markets,” Stoddart said. “Effectively, they’ve given us a platform to do more of these without losing a lot of the IP.”

The Wave’s back-end systems work on a multi-site, multi-currency, multi-language basis, and that has been built in right from the start.

The team includes the experienced developer of London’s ExCel events centre, Iain Shearer, and Gaynor Coley, who led the Eden Project visitor attraction in Cornwall in the west of England that contains an indoor rainforest.

Stoddart explained that building sustainably — predominantly using glass, timber, and recycled and reused materials, and planting 17,000 trees and shrubs to offset the carbon impact — has been important for the Bristol site.

The person who “holds us to account and makes sure we’re really considering the environment and social impact very clearly” is Chris Hines, a former Eden Project sustainability director and founder of Surfers Against Sewage — a UK-based advocacy group.

The Wave plans to attract 150,000 surfers and the same number of nonsurfers a year to the Bristol site, which is a short distance from one of the UK’s main motorways, the M5. In providing a mix of waves for beginners, intermediates, and pros, Stoddart is maximising the market opportunity. Lessons are available, too, for the uninitiated, as are wetsuits — for those not comfortable with the British weather.
The trouble with tyres

A global trade in scrap tyres from rich countries to the developed world has been surging in recent years, driven in part by demand from backyard furnaces that turn the waste into cheap fuel. The practice, known as pyrolysis, often takes place without controls on emissions or waste, with potentially devastating effects on local environments and the health of workers and residents.

Recycling and reuse of tyres

Waste tyres contain valuable materials that can be extracted for use in various industries.

Shredding
Scrap tyres can be processed into rubber chips or granules.

Cryogenics
Tyre chips are cooled to below –80°C (–112°F) until they become brittle and can be crushed.

Pyrolysis
Pyrolysis is the thermal decomposition of an organic material without the presence of oxygen. More rudimentary operations can cause environmental and health problems.

Can be used as tree guards, as fences, or as garden decoration. Can act as fenders in docks and as crash barriers. When dumped in landfills, they can take hundreds of years to decompose.

Used in road building and construction.

Used in artificial turf, flooring, paving, roofing, footwear, and as crash and noise barriers.

Used in automotive parts, cable, bedding compounds, fillers for tyres, footwear, sports equipment, or as fuel.

Burned for fuel. Tyre rubber has more energy (Btu) than coal, but, like any solid fuel, tyres burn dirty, requiring energy to clean the particulates.

Source: European Tyre Recycling Association.

By Christian Inton/Reuters
Additional work by Manas Sharma
What’s in a tyre?
Tyres contain natural and synthetic rubber, fabric, and wire, along with carbon black and other chemical compounds.

Top tyre waste importing countries
India is by far the biggest buyer, accounting for 32% of global imports in 2018, up from 7% five years ago. The chart below shows net weight in millions of kilograms.

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Source: UN Comtrade.
Rooting out forced labour from supply chains
CFOs and finance departments have a significant role to play in preventing and detecting slavery in the supply chain.

By Malia Politzer
No one wants to imagine that the food ingredients their company has built an empire on may have been processed or picked by those getting no pay and having little choice in what they do. Nor does a retail chain executive want to find out shirts destined for stores for the autumn collection were sewn by children too young to legally work.

However, the reality is that many multinationals probably are taking part in forced, or slave, labour — especially those with long, complex supply chains, according to Katherine Christ, Ph.D., a lecturer in accounting at the School of Commerce at the University of South Australia in Adelaide who is an expert on the issue.

"Modern slavery is everywhere," said Christ. "It’s in every continent and every industry. If every multinational looks deep enough, they will find it, and we want them to find it and to deal with it and to tell us what they have done."

Forced labour is a big problem for companies all over the world. According to recent estimates by the International Labour Organization, there are more than 152 million children performing child labour, and 25 million people trapped in forced labour — some of them in supply chains feeding into big companies.

But with more jurisdictions getting serious about rooting out the practices, companies are growing increasingly serious about addressing forced labour in their supply chains.

Accountants and CFOs, with their access to detailed financial information and the influence to make it a top corporate concern, have major roles to play, according to Duncan Jepson, head of Liberty Shared.

"Failing to address slavery is an activity that most people increasingly agree should be criminal, not just unethical, and in the case of banks it’s actually a predicate offence to money laundering," he said. "So there’s no choice but to care about this issue. And CFOs and management accountants need to be a part of that conversation."

The first step

Uncovering forced labour in a complex supply chain can be tricky — and preventing it, even more so. The first step that a CFO serious about addressing the issue of forced labour in supply chains should take is to have the company map out its supply chain in as much detail as possible, according to Justine Nolan, a professor in the Faculty of Law at the University of New South Wales in Sydney.

"To map the supply chain completely, you need to understand it from origin to distribution," she said. "So a transparent supply chain would be able to start to trace products from where the retailer is selling something, to the origin of all the components that went into those goods."

While this sounds deceptively simple, mapping supply chains completely can be difficult for large companies. Until the past decade, few large corporations mapped or engaged with their supply chain beyond the first tier of suppliers, without which detecting and auditing for forced labour is almost impossible, according to Jessica McGoverne, director of corporate affairs at Sedex, a membership organisation that offers ethical trade tools and services that support businesses to map their supply chain and understand risks. That means looking not just at the conduct of a company’s immediate suppliers, but also any factories (in the case of garments), farms (in the case of food), or labour recruiters that contracted suppliers subcontract. A thorough supply chain map for something like a cotton shirt should ideally trace the supply chain for each component of the item from the farm where the cotton was grown, to the factory where the fabric is sewn, all the way to market, according to McGoverne.

"During supply chain mapping, it’s really important to create visibility past the first tier because that’s where the inherent risks are more likely," she said. "This can be much more difficult to do than it sounds, because some organisations may have thousands of suppliers within their supply chains and may lack the resources, time, understanding, or right tools to map properly."

A number of tools are available to help: Some global membership organisations, like Sedex, provide external supply chain mapping consultancy services. Other companies — such as Sourcemap, Tradeshift, and FRDM — offer supply chain mapping platforms.

Once the supply chain has been mapped in detail, it becomes possible to focus on conducting increased due diligence. This can include more-frequent audits or tighter internal controls, on suppliers in the higher-risk areas — for example, places where it’s known that slave labour is more likely for specific industries, such as South Asia for clothing production or West Africa for cocoa farmers. (See the sidebar, "What Is Modern Slavery?")

Involv compliance

That’s when it’s important to bring in input from compliance departments,
according to Markus Funk, J.D., Ph.D., a Denver-based lawyer at Perkins Coie, who in 2010 established the first supply chain compliance practice among the 100 largest US law firms and co-authored a book on the subject with Chicago-based US District Judge Virginia M. Kendall.

To start, CFOs and other company executives should work closely with the compliance and procurement departments to ensure that all of the company’s suppliers sign a clearly worded code of conduct that outlines anti-trafficking expectations and gives the company the right to audit, according to Funk.

“It’s important to use this new contract language both with new suppliers and also for renewals,” he said.

Compliance should also take the lead on any mandatory forced labour reporting requirements and disclosure statements, according to Funk.

“One of the problems we’ve seen over the past ten years is that this issue has been handled by human resources, or corporate social responsibility — which meant that lawyers had either no or very limited involvement in draft disclosures, and that’s a huge problem,” he said. “You want compliance to handle this issue because the last thing a company wants is a letter from an anti-trafficking advocacy group saying, ‘We’ve reviewed your disclosure and see they are noncompliant, and we are going to start a campaign against you.’”

**Educate**

One way that management accountants can get involved in the fight against slavery is by raising awareness in their company about the issue, according to Elrich Linde, ACMA, CGMA, support manager at AMOSCA, a management consultancy firm based in London.

“Look at your company, and ask yourself, ‘Is there an awareness of modern-day slavery?’” he said. “If not, you can be the driving force in educating people and influencing the company’s culture.”

Additionally, everyone in the company should receive training about the risks and red flags of forced labour in supply chains, according to Funk — and they should take steps to ensure their suppliers are educated about the issue, too. However, merely getting suppliers to sign a smartly worded code of conduct isn’t likely to make a dent in this issue, according to Christ. In addition to educating suppliers about anti-forced-labour expectations, it’s vital to build trust with them so they feel comfortable working with the customer to address any issues that may be leading to conditions that create forced labour. This requires a level of transparency and openness that can take time to cultivate.

For example, Christ remembers speaking to a supply chain manager for a major camera manufacturer at a breakfast event aimed at providing corporates with tools to combat modern-day slavery. The supply chain manager had already ensured that all the organisation’s suppliers had signed a code of conduct, and regularly checked in with them to ensure they understood the expectations. Years later, after numerous conversations, she finally learned that some of the suppliers were struggling to comply with expectations.

“It took two years of saying, ‘If you can’t comply, how can we help you?’ for the supplier to feel comfortable telling her what was really going on,” said Christ. “A lot of suppliers are afraid of being cut, so they may take a ‘tick the box’ approach to compliance rather than taking it seriously.”

Accountants working in management accounting should also look critically at the numbers and ask questions if they seem too low, according to Linde.

“You need to ask, ‘Why are we getting such a good deal from this supplier, when all the competitors are giving you prices above that range?’” he said. “Or if you have workers actually in your operation abroad, you could do a headcount and ask why the operating numbers are so low. It’s about asking the right questions.”

**Build in some flexibility**

Finally, the finance department needs to be careful about the demands they put on suppliers and ensure that they aren’t unintentionally creating pressures that may lead to the abuse of workers. For example, pushing for extremely short lead times and below-market prices can put suppliers in the position where they are forced to cut costs, which they pass on to factories that they are subcontracting, which, in turn, also need to find ways to cut costs, Christ said.

“They put people in the supply chain in the position where they don’t have much of a choice — everyone has to cut costs,” she said. “And then the person at the end of those demands may resort to slave labour.”

**Leveraging audits**

Many companies opt to outsource the auditing of high-risk factories to third
parties that specialise in “ethical audits”. Outsourcing audits can give companies the extra assurance that the auditors are specialists in spotting the red flags for modern slavery, in addition to auditing for health and safety, among other things.

When audits are conducted in-house, it’s vital that everyone involved with the auditing process receive specialised training on how to detect slave labour. This may require creating specialised checklists or bringing in experts like management accountants with supply chain expertise, nongovernmental organisations, or lawyers to conduct training, according to Funk.

“One of the problems is a lot of companies have a beautifully worded code of conduct which they don’t even try to enforce,” he said. “Companies need to look at the reality. Once you understand and

map out your supply chain, you need to focus on the high-risk areas — and make this a part of your audit plan.”

As a part of that plan, auditors should be educated about common trafficking scenarios specific to their industry and how to look for red flags that indicate a heightened risk for human trafficking (which may differ, depending on the geography or sector).

Consider this example: A factory that employs workers from another country who don’t speak the language where the factory is located requires additional due diligence on the part of the auditor to ensure that trafficking isn’t taking place. Paying workers in cash — particularly in an industry where cash payments are unusual — can also be a red flag for forced labour, and this would warrant additional scrutiny.

“When we train up the auditors, we give them written materials and checklists,” Funk said. “You want part of their audit to include a module on trafficking so they know what to look for and they do it every time.”

Auditors should also spot-check employment contracts to ensure they are written in the workers’ native language and that the workers can read them, and ensure that workers have control of their travel documents at all times. If an auditor sees beds or other accommodations on-site, it’s a red flag that warrants further investigation. In addition to making observations, auditors should routinely talk to workers to verify that what managers tell them is actually true — with a translator, if necessary, according to Funk. As with all red flags, one indicator doesn’t necessarily mean that forced labour is definitely taking place: Factories might have perfectly good reasons for certain practices (like on-site accommodations).

“Everyone in the organisation needs to be sensitised,” Funk said. “This is a serious matter, with legal and reputational components that need to be treated just as you would an allegation of fraud and bribery.”

Building anti-trafficking controls into management accounts

While anti-forced-labour audits are an important tool, Jepson would also like to see companies start to think about how they might develop and incorporate anti-trafficking internal controls into management accounts.

“Audits are about spotting something and rectifying it,” he said. “But building ongoing controls into your business model allows your business to avoid the problem in the first place.”

While internal controls around issues
such as money laundering have become standard operating procedure for many businesses, the idea of anti-trafficking controls is something totally new for many companies, according to Jepson. But that shouldn’t discourage companies from considering them.

“Robust compliance and robust monitoring will come from requesting that a company has the same kinds of internal controls that they have in place for anti-corruption and anti-money laundering,” he said. “It’s about establishing a chain of good practice.”

To start, Jepson suggests that companies request information related to payments to recruitment agents, confirmation that agents are paying workers, and verification by on-site factory managers (and, if at all possible, the workers themselves) that workers are being paid.

While this level of verification isn’t currently required by any of the current iterations of international anti-trafficking legislation, it’s a step that companies serious about getting ahead of the issue should consider, according to Jepson.

“An audit only happens once a year — but for slave labour to disappear, you have to embed this information into the regular accounting process,” he said. “You want it in management accounts.”

An evolving legislative climate
Slavery is a global problem so abhorrent that any ethical company should be willing to invest whatever is necessary to ensure that the people involved with a company’s core business are not working under duress. It’s also an issue that consumers are becoming aware of around the world — which has led to a tightening of global legislation. While thus far the legislative environment has focused more on reporting and lacked significant financial penalties, it’s likely this will change in the near future, according to Jepson.

“The forward-thinking move is to treat this not as an ethical or sustainability issue, but as a real legal risk,” he said. “And that means building internal controls into your business.”

In fact, over the past decade, the legislative environment has been evolving rapidly on this issue around the world.

The US state of California got the ball rolling on the issue of forced labour in 2010, when it passed the Transparency in Supply Chains Act. The act, which went into effect on 1 January 2012, requires companies that have a presence in California and work in retail or manufacturing with annual gross receipts above $100 million to disclose the extent of their efforts in five areas: verification of product supply chains to evaluate and address risks of human trafficking and slavery, audits, certification from suppliers that goods meet anti-slavery laws, internal accountability, and training.

Five years later, the UK passed the Modern Slavery Act 2015. Currently considered the most influential anti-slave-labour legislation, the act requires companies with an annual turnover above £36 million to produce an annual slavery statement — signed by the chairman of the company — detailing the organisations’ operations and what they’ve done to identify and manage the risk of slavery in their supply chains.

Since then, other countries — notably Australia, France, and the Netherlands — have adopted various bills requiring companies to engage in additional due diligence and reporting regarding how they manage the issue of forced labour in their supply chains.

Much of the existing legislation currently lacks large financial penalties for noncompliance, according to Christ. However, there’s reason to believe that may soon change.

“Governments are regularly reviewing these acts,” said Christ, adding that the UK Act has recently undergone such a review. “And these reviews are starting to suggest that as businesses become more familiar with the issue, there will be financial penalties in the near future.”

As the great 18th- and 19th-century anti-slavery campaigner William Wilberforce said: “You may choose to look the other way, but you can never say again that you did not know.” And for companies that fail to take effective action against modern slavery, such a policy invites not just moral hazard but increasingly severe legal and reputational consequences.

“The tide is changing, and people are becoming much more aware about issues related to forced labour,” said Linde. “If you are too late, or wait too long, you might end up on the wrong side of that.”
Companies have spent billions on D&I training, but studies suggest it’s not easy to get it right. Here are five tips to avoid common mistakes.

By Andrea Chipman

Companies have spent billions on diversity and inclusion training to create work environments in which employees recognise and embrace differences amongst co-workers. In 2016, an analysis of 260 studies suggested D&I programmes can work, but getting them right isn’t easy.

Common mistakes include assuming a root cause of a D&I problem without research, going for easy fixes, promising the impossible, and focusing on diversity representation rather than the talent pipeline, a report by management consultant Korn Ferry suggests (visit tinyurl.com/w7488e5 to view the full report).

Diversity experts emphasise that programmes need to be carefully planned and have support from all levels of management.

“For any programme to be successful, it has to be championed and led from the top, not just by HR,” said Hephzi Pemberton, chief executive of the Equality Group, a UK consultancy and executive recruiter that helps finance and technology companies develop D&I strategies. “Then it must be linked to
having very clear and measurable goals and targets around what you want to achieve.”

Tony Vickers-Byrne, chief adviser for HR Practice at the Chartered Institute of Personnel and Development (CIPD), a professional body for 150,000 HR and learning and development professionals in the UK, Ireland, the Middle East, and Asia, observed that organisations can make basic mistakes in job advertisements.

In the UK, where anti-discrimination laws include bias based on age, prospective employers looking to hire within a broad age group have been known to post advertisements with photos showing only people in their 20s.

How to avoid common mistakes
Employers who want to improve performance on D&I metrics, which tend to be specific to a business and the local context and may include recruitment and retention goals, might keep the following five lessons from diversity experts in mind:

Collect the data and identify gaps
Employers should take a measure at each stage of the pipeline, from recruitment to hire, pay, and promotion. Quantitative recruitment data, for example, can be tracked based on the number of applicants, number of telephone interviews, final interviews, and hiring rates and should include the precise number of candidates in desirable categories who are being shortlisted.

Employee satisfaction surveys provide qualitative data that can help detect opportunities for improvement.

Only sufficient collection and analysis of data will help ensure that employers avoid unconscious bias.

“Just as you wouldn’t have a financial business plan without significant data analysis, you shouldn’t have a significant D&I programme without the same scrutiny of data,” Vickers-Byrne said.

Data can indicate the extent to which a company differs from other benchmarks and is relevant to a number of diversity targets, including age, disability, ethnicity, and gender. A report on the gender pay gap and gender equality by the UK Government Equalities Office determined that restructuring systems and using evidence-based design of hiring practices, promotion procedures, and compensation schemes are the best ways to improve D&I initiatives.

Looking at diversity within a broader context, meanwhile, means identifying often overlooked areas such as neurodiversity (neurocognitive differences include autism, attention deficit hyperactivity disorder, dyslexia, Tourette’s syndrome, anxiety, obsessive-compulsive disorder, and depression), sexual orientation, and religion.

“The conversation often gets stuck in gender, which is the natural place to start, but not the entirety,” Hephzi Pemberton said.

Don’t opt for easy solutions
The Korn Ferry report mentions some “quick fixes” that organisations often look to implement, including employee resource groups and diversity or unconscious bias training.
While all can be powerful, they are frequently implemented ineffectively, without a D&I strategy or mechanisms to re-enforce lessons. Also, bias training isn’t always effective or sufficient to ensure bias-free hiring. To help recruiters put aside their biases, details that may identify a candidate’s ethnic background (Linkedin profile photo), gender, age, etc., can be removed from job applications.

“We have to avoid that tick-the-box mentality,” Vickers-Byrne said. “Just running mandatory D&I training doesn’t mean you are going to have any lasting behavioural change. It’s about opening up people’s minds and stressing the benefits to the business of improved diversity, as well as explaining to line managers the problems that they might experience if they don’t manage their employees in a fair and structured way.”

Middle managers are often key to integrating D&I policies within a corporate culture, said Cat Ommanney, director of MHP Communications, a London-based communications consultancy. They have to be aware that progress is not just a question of gender parity, but also of ethnicity, education, disability, and even neurodiversity, Ommanney said. Even a workforce that has similar numbers of women and men is likely to be more homogeneous in other ways, she added.

“Only 7% of executives at top firms in the UK are from a black, Asian, or minority ethnic (BAME) background, despite making up 13% of the general population,” she said. “One-fifth of asset managers went to either Oxbridge [Oxford and Cambridge] or [another leading university]. It’s complete tunnel vision, and you are going to come up with the same ideas and make the same mistakes over and over again if you are so narrowly focused.”

Understanding personal experience is a key part of understanding diversity, said Steve Pemberton, chief human resources officer at Workhuman, a maker of cloud-based human capital management software solutions headquartered in Framingham, Massachusetts in the US, and Dublin, Ireland.

Men may perceive that they have nothing to contribute to the conversation, Steve Pemberton said, adding that this can cause many of them to shut down. “A lot of the collisions that do unfold are really due to a lack of awareness of how broad a context of demography you should be changing.”

**Make someone accountable**

Another reason D&I programmes fail, the Korn Ferry report suggests, is that organisations focus on goals for representation at the top without building up diversity in the internal talent pipeline, a process that is likely to require robust preparation of the talent acquisition function and hiring managers.

At Public Health England, the government executive agency where Vickers-Byrne was previously HR director and its chief adviser for diversity and inclusion and staff wellbeing, the chairs of the employee diversity networks could meet regularly with the chief executive without HR being involved. That enabled them to be “frank about what are reasonable diversity goals and any problems faced by employees with different protected characteristics”, he said. Indeed, diversity networks can bolster the chief executive’s leadership by helping them reflect the employees’ voice.

Typically, making progress requires having an accountable committee or task group that is diverse, including not just minorities but also people who aren’t as connected to the topic around the table, Hephzi Pemberton said.

Having a representative for protected groups, or executive champions in the area of diversity, can also be useful, Vickers-Byrne said. These individuals sit outside of the HR function and can help support line managers and advise them on what options that have worked in other parts of the organisation’s operations are available to them.

**Keep flexibility as an option**

The importance of flexible working to diversity and inclusion cannot be overstated, Vickers-Byrne said. Evaluating the work/life balance of employees — especially those with caring responsibilities — can help promote a return to the workplace for experienced individuals who might otherwise be lost from the workplace.

“Evidence shows that once people are able to live reasonably on their salary, then more would prefer flexible working to higher salaries,” he said.

Flexible working environments also allow organisations to attract a wider range of people at different life stages, Hephzi Pemberton said, including younger people who are looking to pursue other interests in addition to their careers.

Flexible working arrangements also offer a crucial way of getting men, as well as women, onboard with diversity programmes, those interviewed told FM.

**Don’t overpromise**

Setting diversity targets can be challenging and can even potentially undermine overall D&I aims if companies make bold promises without having thought about how to achieve them.

“It takes longer than you think, and it involves behaviour change,” Hephzi Pemberton said. “You need training and coaching, and often there is a lack of budget.”

Vickers-Byrne said, “Particularly when you are developing internal targets, they need to be developed with line managers, executives, and employee networks so they can be owned rather than imposed from above. If the majority of BAME and female appointees are nonexecutives rather than executives, then you need to flag that up.”

Demonstrating the business case for diversity is key, he said. “Employers who have relied on traditional pipelines to fill posts are missing the opportunity to bring in new diverse talent. They need to take positive action to get new skills, experience, and thinking into the pipeline.”

According to the World Economic Forum, bringing people from diverse backgrounds together is a key driver of innovation. Studies suggest that diverse management teams generate more revenue, and a diverse workforce improves company culture. ■

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Helping directors stay ahead of the game

Imran Furkan, FCMA, CGMA, leads a consulting business that specialises in corporate governance and has served on company boards for more than a dozen years.
The financial services industry was consolidating after the worst global financial crisis in more than 75 years when Imran Furkan, FCMA, CGMA, joined the board of a Sri Lankan financial services company in 2011 as an independent, nonexecutive director and the board’s youngest member. In the years since, he has tried hard to provide the kind of leadership he believes is necessary for board members to help businesses flourish in the face of globalisation, automation, and rapid change.

The company, founded in 1978, had grown slowly and steadily by the time Furkan joined the board, mostly by taking deposits and issuing loans. Its directors were risk-averse and reluctant to invest heavily in digital technology. When a competitor looking for investments in an industry set for rapid growth offered to acquire the company, the management was excited, Furkan said. They felt held back by the board and wanted to become part of a company that was growing faster. Furkan argued in favour of selling, and his fellow directors agreed. The deal was completed in 2014, turning the company into a subsidiary of its more aggressive competitor.

“I’ve always been somebody who’s advocated being disruptive before you are disrupted,” he said. “I’ve always been for trying out new business models or even acquisitions or a little more aggressive approaches, provided it can be backed up by the appropriate systems and processes.”

Now, Furkan is CEO of Tresync, a consulting business that specialises in corporate governance, particularly strategic and business model changes. Tresync is based in Singapore and employs about 20 people full time across Asia Pacific.

Furkan has served on corporate boards can follow these five tactics to help businesses flourish in the face of rapid technological advances, global competition, and fluctuating markets.

By Sabine Vollmer
boards of private and public companies for more than a dozen years. He also sits on corporate advisory boards, which are common in Australia and Europe and provide insights to corporate directors and top management.

Tactics that keep board members on their toes
High-performing boards are rarely the result of chance. That's of particular relevance to CFOs, who are increasingly taking on strategic responsibilities and becoming more valuable as candidates to serve on boards. To assemble and maintain a highly effective board, Furkan suggested five basic tactics that are also championed by executive recruiters, researchers, and consultants.

Accountability
A rigorous annual performance evaluation by an external third party provides a reality check of a board's effectiveness. The evaluation should answer questions such as: Has the board as a group met its targets? How do its practices compare to corporate governance standards and board practices of comparable organisations? Is the board responsive to shifting competitive landscapes and stakeholder views? How do the board's collective strengths and skills measure up to the organisation's long-term goals?

Boards should initiate the performance evaluations. Shareholder resolutions can address persistent failure to do so.

Board performance evaluations should include self-assessments by individual directors. If done right, the evaluations can help the board identify competency gaps and blind spots and mitigate them before problems arise.

Diversity
A diverse board is made up of directors who are of different genders, ethnicities, and ages, and have different experiences. Research suggests that social and professional diversity generates diversity of viewpoints, perspectives, and opinions, which in turn encourages open dialogue and discussion. But recruiting new board members without emphasis on skills and expertise raises concerns of tokenism.

A rigorous annual performance evaluation by an external third party provides a reality check of a board’s effectiveness.

Refreshment
Furkan is unapologetic about the need for boards to regularly refresh. It takes about three years for directors to understand a company, its corporate culture, and the industry's business cycle, he said. After five years on the board, members should be replaced by new directors with fresh perspectives, he suggested. “Board rotation is critical. I'd say nobody should be on a board above seven years except maybe the chief executive. That's a point at which it should all change.”

Board members' average tenures vary greatly across the world, partly because of regulatory requirements in some countries, linking board tenure to independence. In 2018, boards in Brazil, Norway, Japan, South Korea, Sweden, the Netherlands, and Italy had the highest turnover, with 50% or more of directors serving three years or less, according to Institutional Shareholder Services. Boards in Singapore, Mexico, the US, Switzerland, Thailand, India, and South Africa had the lowest turnover, with 60% or more of directors serving longer than three years.

Getting the mix of directors with longer and shorter tenures right can be tricky and varies by company. Research suggests the right balance can help lower a company’s exposure to risk and increase performance.

Outside advice
Corporate boards have long relied on external resources such as expert advisers from academia, consultancies, or law firms to help with critical decisions. Some companies have advisory boards whose members assist the board of directors but have no fiduciary responsibility.

Subject-matter expertise may reside in small organisations, may require second and third opinions, and may not automatically lead to large follow-on investments, Furkan said. To improve cybersecurity, for example, an organisation may be required to perform a risk assessment of processes and procedures rather than just installing new software. “One of the biggest causes of breaches are humans,” he added.

Changing employees' habits to improve password protection may end up being more important in reducing the risk of a cyber breach than merely installing a new software package.

Continuous education
Directors must understand the role corporate governance plays and what regulations they need to follow. They need to work together as a group and provide leadership for the company to survive crises and succeed in the long term. Continuous education and training are available to board members to help them fulfil these responsibilities. But it's also important for directors to be curious and willing to keep learning on their own, Furkan said.

Board members whose professional expertise is in other industries and directors who are industry insiders need to stay up to date with the latest trends to which the business is exposed, he said. "What's happening in the industry or with the technology? Are you preparing yourself for issues about to face the industry? That's critical to do for your own self.” ■

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Developing the finance profession in Thailand

Chakkrit Parapuntakul, deputy permanent secretary at Thailand’s Ministry of Finance and the president of the Thailand Federation of Accounting Professions, has seen it as his role to provide clarity around work systems and policies for the accountancy federation’s employees and to remove barriers to the team’s success. He also stressed that leaders, including himself, must operate under the principle of fairness, and that knowledge is key.

"Being a good leader is to ... gain deeper knowledge and know it thoroughly and correctly, in order to use the knowledge to make necessary decisions," he said. "Doing so will inspire the team’s confidence in the leader’s decisions."
Dan Crumb, CPA, CGMA, is equal parts voice of reason, risk manager, innovator, and strategic partner as CFO of the Super Bowl-winning Kansas City Chiefs.

He is a leader in the organisation, but he will confess to being a fan as well. That passion for the game helps him connect with the team's numerous repeat customers, including many of the 70,000 fans who turn out on Sunday afternoons at Kansas City's Arrowhead Stadium.

"One of the unique things about working in a professional sports organisation is the connection to the team you are working for," Crumb said. "Seeing the passion and excitement of the fans, it drives me to do the best job I can. I can't think of much that equals the feeling of seeing our fans pack Arrowhead Stadium and make it the loudest outdoor stadium in the world."

He's not exaggerating; Guinness World Records has certified the home crowd's decibel level. That game day atmosphere — notable just as much for noise in the stadium as for the aroma of Kansas City-style pork or other meat on portable grills in the parking lots — is something that makes a game there special, and now the team has the on-field acclaim to match it. Fifty years after the franchise's first National Football League championship, Kansas City defeated the San Francisco 49ers 31–20 on 2 February to win the Super Bowl.

Crumb has been on the job in Kansas City for a decade, and before that he was the CFO for another major US professional sports team, the New Orleans Hornets (now Pelicans) of the National Basketball Association. Crumb grew up a sports fan, but he never figured that he would be able to apply his expertise in finance to a job so close to the action.

Since Crumb was hired in 2010, the team has had seven ten-win seasons in ten years, with seven playoff appearances. In the previous ten seasons, Kansas City posted ten wins just twice, with two playoff appearances. A CFO obviously can't affect a team's win-loss record as much as a Hall of Fame coach or a star quarterback, and the finance job remains mostly the same regardless of the team's performance on the field. But a data-driven approach can help any organisation, and the tools available to leverage data in 2020 make the CFO job quite different from what it was a decade ago, providing new opportunities to make an impact on an organisation.

The theme that emerges throughout Crumb's many responsibilities — he has oversight of finance, IT, strategy and analysis, and more — is his commitment to seeking data-driven answers to challenges the franchise faces. These are issues that are not much different from the obstacles nonsports businesses face every day, such as finding and keeping the right talent, increasing sales, and protecting valuable data.

"We are able to collect, store, retrieve, and analyse so much more about our customers, suppliers, business relationships, and practices," Crumb said. "Technology has enabled us to accomplish more through automation and efficiency and at the same time increasing accuracy through pulling data directly from the source."

Any organisation is only as good as its talent, and the IT team Crumb oversees embarked on a data effort...
Dan Crumb, CPA, CGMA, has been CFO of the Kansas City Chiefs of the US National Football League for ten years.
Advice for young finance professionals

Dan Crumb has been a CFO since 1994. He offered the following advice for finance professionals who aspire to be a CFO one day:

- Be adaptable to change and embrace technology.
- Be committed to lifelong learning and innovation. “Don’t let that term innovation become more than what it is,” Crumb said. “It’s nothing more than finding a better way to do things. Always try to find a better way.”
- Don’t underestimate the importance of building the right culture. “Trust is the core foundation upon which you build everything,” Crumb said. Right now, for him, emphasising culture includes reminding the Chiefs’ staff to appreciate the good times: “You hear the phrase ‘live in the moment’. If there was ever a time to live in the moment, this is it.”
- Keep in touch with your professional network. A single conversation with a former manager helped him get an interview with the New Orleans Hornets (who were renamed the Pelicans in 2013), a role that helped him be considered for the CFO job with the Chiefs.

Designed to improve the ability to identify the strengths and weaknesses of current and future players. About six years ago, staff that Crumb supervises built a custom database for the football operations staff, which includes head coach Andy Reid, general manager Brett Veach, more than a dozen assistant coaches, as well as scouts and analysts. The database has information on prospective players not yet eligible for the NFL and on every player for the other 31 teams.

“It gives the football staff the resources necessary to properly scout and have all the information on players they need in one place, easy to access and with a platform that’s easy to use and easy to store and retrieve data from,” Crumb said.

In addition to oversight of data on NFL players, the departments Crumb manages have data on the Chiefs’ customers, from those wanting a Super Bowl T-shirt or player jersey through an online store to those longtime, regular fans who show up each game day, people the team calls its season ticket “members”. Data on customer preferences helps the team create a more satisfying experience on game days and throughout the year, reinforcing the franchise’s reputation with its loyal fans.

Crumb said a framework of people, systems, and processes protects the customer data. Collaboration with other departments is one of several steps the finance function takes to ensure the organisation has strong cybersecurity controls in place. Providing those departments with sound principles, along with the right resources, training, and processes, goes a long way toward mitigating or eliminating cyber risks.

“It’s one of the most important risks that we protect against, as a cybersecurity incident can be damaging to our entire organisation in many ways, including reputational damage,” Crumb said.

The role has changed, yet it remains the same

The Chiefs finished the 2019 regular season with 12 wins and four losses, and then they had two additional home games in the January playoffs. Even if the record had been 4–12 with no playoff appearance, Crumb said, the role of finance would have been the same. “As we do have a connection to the team and our fans, we do feel the emotions of those ups and downs,” he said. “We still have the same work to do, and a big part of that job is to be prepared for success. So, regardless of the record, we are always preparing for success and doing the fundamental work that has to be done.”

Seeking efficiencies

Compliance and innovation might not always go hand in hand, but Crumb said the two can be intertwined. For example, he welcomes feedback from his finance team on ways to make compliance efforts more efficient. “Compliance is a core piece that you can’t compromise on,” he said. “You can be innovative in how you achieve compliance, and we always ask our people to find the most effective and efficient way in doing this. We exhibit leadership by providing guidance and the systems, tools, and technology to achieve compliance in our organisation.”

One recent example was the creation of an automated system for the signing of waivers by outside groups holding events at the stadium. Another, Crumb said, was the digitisation and visualisation of the organisation’s enterprise risk assessment, which can be customised with a new sorting capability. “We were able to present the compiled data in a very flexible, dynamic format which is always accessible to our executive team,” he said.

The rewards and challenges of leadership

One obvious reward of leadership for Crumb was attending the Chiefs’ Super Bowl victory at Hard Rock Stadium in Miami Gardens, Florida. It was not his first Super Bowl, however. He worked as event security as a university student at the Louisiana Superdome for the 1986 game, Super Bowl XX. The sports enthusiast never thought he’d get back to that big stage.

Crumb said the main challenges of leadership today are managing change and trying to find balance. “Times are changing so fast, and there’s so much disruption,” he said. “How to navigate that change goes back to developing trust and having the people you lead trust that you’re going to lead them down the right path.”

The roles we aspire to can at times be all-encompassing, so it’s important to remember that life is more than work, he said. “We’re so connected today, so it’s important to maintain balance.”

The most rewarding part of leadership for Crumb is simple: “Seeing your team achieve success.”

Crumb saw the organisation reach the pinnacle of its sport, and he and his team had a role in making it happen.

Hear more

For more from FM’s interview with Dan Crumb, listen to the podcast “Success Secrets From the Super Bowl Champs’ CFO”, available at tinyurl.com/sgttip2d.

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Steps to ethical leadership

Creating an ethical culture should be a goal of every leader. It is not simply the morally right thing to do. Research repeatedly demonstrates the business case for taking ethics and culture seriously, with higher staff satisfaction and retention, reduced costs, increased productivity, reduced risk, and better customer outcomes being just some of the benefits.

“Organisations which are truly on a mission, led by passionate leaders who bring their employees, suppliers, and customers on the journey, are the most successful,” said Mark Allen, FCMA, CGMA, the CEO of the TAG Accountants Community, an organisation bringing together UK accountancy practices offering tax, legal, consultancy, and financial services.

Ethical leaders put ethics at the heart of everything they do and are guided by moral principles such as integrity, honesty, and fairness. They empower those around them to also act in an ethical manner, thereby building a culture of doing the right thing throughout an organisation. Ethical leaders do the right thing even when this requires making decisions that may be unpopular.

Here are five top things you can do to provide ethical leadership:

**Lead by example**
People quickly lose trust in leaders they don’t believe in, while they follow leaders they find inspiring. If you say all the right things but your words are found to be empty, you will quickly find people stop listening. By setting a clear example and acting as a role model for ethical decision-making, you inspire people to follow you and begin to raise their standards, expectations, and performance. Where leaders behave unethically, this can lead to people throughout the organisation seeing this as acceptable and following suit.

Whilst leading from the front is important, it is also vital to empower the people around you to act in an ethical way. Nigel Iyer, a CIMA fellow who is also a chartered accountant, has over 25 years of experience investigating fraud worldwide. He argues that “one of the finest ways
management can demonstrate they care about ethics is to motivate everyone who works for them to play their part in protecting the company against unethical behaviour”. When it comes to fraud, it is people working with the details — for example, those close to the money flows such as orders, payments, and account postings — who have the best opportunity to identify red flags, not necessarily the managers who are less involved in the nitty-gritty. By ensuring you lead from the front whilst instilling ethical thinking across your whole team, ethical thinking becomes business as usual.

Promote transparency
Would people in your team be happy to come and talk to you if something were concerning them? An ethical leader makes sure their staff know that they are always available for a chat. They promote a culture where employees are able to ask questions, challenge decisions, and speak up without fear of retaliation.

“An ethical organisation is one in which there is a culture of listening,” Allen said. “You are working towards common goals, and listening and understanding is more valuable than dictating.”

When decisions are made that affect your people, be open about the reasons and implications. Making excuses or downplaying the impacts will likely lead to resentment and a negative culture going forward. If there is an ethical lapse in a team or a company, trying to cover this up can be harmful. Instead, talking about what lessons can be learned is the quickest and most effective way to rebuild trust.

Prioritise fairness and avoid bias
People often feel comfortable surrounded by people like them, but this leads to close-minded thinking. Push yourself to seek out different opinions. Make sure everyone on your team is included in the conversation and is comfortable with participating fully and sharing their opinion. If you notice that a member of your team rarely speaks up in team meetings, have a quick chat with them to understand whether something is holding them back — perhaps they worry that their opinion would not be valued, or they are keeping quiet because they do not feel their views fit with the majority. Demonstrating that you are there for every member of your team and value all viewpoints can go a long way to creating stronger teams.

Allen said fairness is a key trait for an ethical leader. “Clearly, we all get on with some people better than others. But that does not mean that those people are right all the time. We must take a step back and look at the facts, rather than allowing emotion to affect our integrity.” It is important you make sure you never show favouritism, as this can lead to resentment and distrust. Instead, act consistently and fairly.

Embed ethics in goals and performance targets
Unfortunately, the way we make decisions can be affected by pressures such as deadlines or tight budgets. Doing the right thing sometimes is passed over in favour of doing what is quicker or less costly. One way to combat this is to send a clear signal that you value how your team get things done in addition to what they deliver.

According to Iyer, “The true defenders of the organisation are the people that work for it, and they should be motivated to do so and justly rewarded.” When it comes to detecting fraud, for example, managers need to “empower people in the organisation to show interest and a healthy curiosity, and reward them for showing initiative”.

There are many ways to recognise ethical thinking and behaviour. Sometimes simply calling out people doing the right thing with a thank you is enough. Another option could be to hand out awards related to company values, singling out individuals who go above and beyond. Many companies have now formalised ethics in performance reviews, requiring employees to demonstrate how they have applied ethical values such as integrity throughout the year. Managers then assign a performance rating, which could impact financial rewards such as pay rises or bonuses, based on these values in addition to how successfully they met targets. Another option is to use one of the many platforms that allow employees to recognise the good work of others with points that can be converted into gift cards. Why not tie these recognitions to ethical values such as honesty, courage, or collaboration, allowing employees to call out great behaviours demonstrated by their colleagues?

Create ethics moments
Talk about ethics with your team regularly. This could be in a structured way, such as through discussing an ethical dilemma in each team meeting, or more informally, for example, through conversations in the office about ethics stories in the news.

Iyer suggests using real-life examples from within and outside your company. If there is an example of someone going above and beyond, talk about it. If something goes wrong, ask what lessons your team can learn. Exposing your teams to realistic scenarios such as typical frauds is an interactive way of developing a curious mindset and actively considering how to react in given situations. FM’s “Ethics in Action” series (visit tinyurl.com/t88hx2e) offers a number of ethical dilemmas, which can be another useful way of stimulating discussion about ethics.

Ultimately, the mantra “treat others as you would like to be treated” is a good guide to follow. Think about the leaders who have inspired you, and learn from them.

Bryony Clear Hill is the associate manager–Ethics Awareness for CIMA members and is based in the UK. To comment on this article or to suggest an idea for another article, contact Drew Adamek, an FM magazine senior editor, at Andrew.Adamek@aicpa-cima.com.

Resources
Articles
“Being Ethical in the Face of Wrongdoing”, FM magazine, 30 January 2020, tinyurl.com/ws9q4ds

“New Code of Ethics Is True to CIMA’s Core Principles”, FM magazine, October 2019, tinyurl.com/yj72z791

“Managers’ Quandary: Ethics or Targets?” FM magazine, 6 February 2019, tinyurl.com/rdy6of0

Guidelines
CIMA Code of Ethics, tinyurl.com/y36gnvca
AICPA Code of Professional Conduct, tinyurl.com/y9whkfc

Podcasts
“How to Encourage Ethical Corporate Behaviour”, FM magazine, 12 February 2020, tinyurl.com/wuxr65a

“Driving Ethical Behaviour in a Global Organisation”, FM magazine, 21 August 2019, tinyurl.com/wwio26p
Nigeria faced significant training and implementation hurdles as it began adopting the IASB’s International Financial Reporting Standards (IFRS). From 2011, when the Nigerian National Assembly passed a law mandating IFRS, to 2014, when the final stages of adoption were completed, the entire Nigerian accounting profession was being asked to quickly adopt entirely new methods and mindsets.

The international shift from local reporting standards towards adoption of IFRS was driven by lofty ambitions such as increasing foreign direct investment, developing a standard global accounting language, increasing transparency, reducing fraud and corruption, and cutting the cost of doing business. However, in many countries, including Nigeria, the practical reality on the ground was quite challenging.

The move was a sea change for most...

Navigating change

One management accountant offers lessons in encouraging shifts in behaviour from his experience with IFRS adoption in Nigeria.

By Drew Adamik
Nigerian accountants, who had been trained in and working with accounting standards that had been set by the now-defunct Nigerian Accounting Standards Board, and they had very little exposure to international accounting standards, according to Lagos-based Oluseyi Olanrewaju, FCMA, CGMA, Ph.D., executive director, finance and executive head of department, finance, at Vodacom Business Nigeria.

Many management accountants are facing the same type of professional disruption that the Nigerian accounting community confronted when adopting IFRS. Whether it is technological upheaval, major standards changes, regulatory or political shifts, or business innovation, management accountants the world over face increasing pressure to rapidly learn new skills, technologies, and standards.

And just like with many of the transformations that management accountants face, change exposed vulnerability. IFRS adoption highlighted a significant knowledge gap at the time within the Nigerian accounting community, according to Olanrewaju, who is also the chairman of the CIMA Nigeria Branch Committee.

“Initially the reaction was very reluctant,” he said. “People were like, ‘Why do we have to use IFRS? What’s our contribution? I hope they’re not going to just dump something on Nigeria.’”

Olanrewaju encouraged Nigerian accountants to participate in the public comment portion of the adoption process to make sure they felt included. For finance professionals trying to bridge a knowledge gap, empowering participation gives people a sense of ownership in the process and helps ease fears.

Emphasise the benefits
To further boost buy-in to the changes, Olanrewaju showcased the positive impacts of IFRS through regular meetings, education, and examples. By highlighting the benefits, both to the organisation and the individual, you can engender motivation and stimulate the feeling of reward.

“People generally are reluctant or averse to change whether positive or negative,” he said. “Therefore, the change agent must be focused and intentional in actualising the objectives, especially where the benefits of the change are enormous.”

So whether it is the extra time for strategic initiatives that artificial intelligence (AI) and robotic process automation may provide to finance departments, or valuable career experience gained from working on an agile team, let participants know that the change isn’t just a burden or a risk but a material benefit to them.

Communicate simply and clearly
Whenever there is a significant change afoot, especially when it impacts people’s careers and livelihoods, Olanrewaju recommends teaching and communicating around those changes simply and clearly.

Making your message as easy to understand as possible, without complicating or confusing language, goes a long way in easing people’s fears and boosting their confidence to learn.

“I wrote my book in basic language so that the typical Nigerian accountant could relate to it,” Olanrewaju said. Avoiding jargon or unfamiliar language also creates a more personal connection between change agent and student, allowing for a more receptive audience.

Be patient
Seismic change is difficult, whether it is adopting IFRS standards or learning a new AI application or an agile way of working, and it requires time. Nigeria’s adoption of IFRS took several years and required meticulous attention to ongoing developments and patience to adjust to those changes, said Olanrewaju.

Any process to bridge a knowledge gap will evolve as it is happening, and leaders, as well as learners, will need to adjust on the fly. Undue pressure will breed resentment, while patience provides a necessary space and comfort level that people need to learn.

Lead by example
Olanrewaju’s efforts to introduce IFRS to Nigerian accountants is part and parcel of his broader leadership emphasis on transparency and collaboration. However, that clarity and leadership need to start at the top of the organisation. Leaders must embrace the change they are championing, and be seen doing so, to help others catch up or keep pace, according to Olanrewaju.

Orders without action from leaders just feel like demands, but when others see you engaging with the same knowledge gaps and challenges, they are more apt to follow, he said.

“As CFO you must be transparent,” Olanrewaju said. “You must embrace the tenets of integrity at the highest levels. You must lead the way within your organisation by example.”

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Leadership at the negotiating table

The former Deloitte CEO is managing change, and leading a new era, in the US Women’s National Basketball Association.

By Neil Amato

As former Deloitte CEO Cathy Engelbert, CPA, took on a role leading the US Women’s National Basketball Association, her first major, public test was negotiating a labour agreement with the league’s players. She cleared that hurdle after six months on the job when a historic deal was announced in January.

The eight-year agreement includes higher pay and improved travel accommodation and benefits for players, especially those with children. For instance, the new deal guarantees players with children a two-bedroom apartment. The league will also have a child-care stipend and pay during maternity leave.

Several of the league’s top players can make more money in other countries and, as a result, would play two seasons — one overseas and one with their WNBA team. Engelbert said on a media conference call that the enhanced benefits are one way the league hopes to encourage more players to prioritise the WNBA amid other opportunities. The top players are eligible in the coming season to earn more than $500,000 in total compensation, and average compensation for all players will be $131,000 for the 2021 season, Engelbert said. “We’re betting on the future through this long-term agreement,” she said in the mid-January conference call with the players union announcing the deal, acknowledging the scope of the investment. “Our teams, owners are very supportive. But they’re betting as well.”

The same day the labour agreement was announced, the WNBA made public a collaboration with three companies, a partnership that is one of the ways the league will augment player pay.

“Not only are partners providing financial investment, but they are further lifting the league and players through marketing amplification and close strategic collaboration,” a news release said.

Two of the corporate partners have been mainstays with the league — AT&T and Nike. The new one, named the league’s official professional services provider, is Deloitte.

Clearly, Engelbert’s leadership and finance background are having an effect on the league, which announced a new, expanded schedule for the 2020 season. Even players on the other side of the negotiation have praised her value.

“To our WNBA commissioner, Cathy Engelbert, recognising you in this role, watching the leadership you provided to your team, immediately elevates our profile across the professional sports landscape,” said player Nneka Ogwumike, president of the Women’s National Basketball Players Association.

In the months leading up to reaching the agreement, Engelbert said she was relying strongly on relationship-building skills in her new role. In an October article for FM magazine, Engelbert said: “One thing that’s very clear to me is sports is business and business is about relationships. So I think the best thing that prepared me at Deloitte, especially as I stepped into a number of leadership roles, was how to build relationships, how to nurture the relationships, and how to deepen these relationships.” (See “The Former Deloitte CEO on Career Agility,” FM magazine, 24 October 2019, tinyurl.com/ueyc7zs.)

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Cathy Engelbert, CPA, the commissioner of the US Women’s National Basketball Association, recently concluded a new agreement with the players union that improves pay and benefits, and also signed new sponsorship deals.
Leading meaningful change

Technology implementations, diversity and inclusion initiatives, and volunteer service can all succeed when passion is matched with sound business tactics.

By Oliver Rowe

The ability to lead meaningful change helps Toronto-based finance leader Helen Berhane, FCMA, CGMA, make a difference in her working environment and the community beyond.

Berhane is the senior accountant running the accounting team at Bridgemarq Real Estate Services Manager Limited, a wholly owned subsidiary of Brookfield Business Partners LP, which provides services to a network of more than 19,000 real estate professionals across Canada.

She has been a leader across a range of businesses — and on two continents. Her career started in the UK with pharmaceutical giant Glaxo Wellcome before its merger with SmithKline Beecham in 2000. In London, she then moved to Deloitte before transferring within the firm to Canada.

As a finance manager at Deloitte Canada, she specialised in financial analysis and business support, working closely with the national managing partners for consulting and tax divisions over her career with the firm.

She has led businesses and firms through significant technology changes and important diversity and inclusion initiatives and has served the accounting profession through numerous volunteer positions, including as the chair of CIMA Canada’s board and as a member of the AICPA National Commission on Diversity & Inclusion.

At Bridgemarq, she provides financial analysis and business support to company leadership to help them determine how to achieve their short-term and long-term plans and how their strategy might need to be adjusted.

“I have definitely been enabling business leaders by making sure they have the right information to make strategic decisions,” she said.

Leading on technology

She recently led an enterprise resource planning system upgrade at Bridgemarq and believes that business leaders “cannot take the chance not to invest in technology”.

“New companies are starting up all the time and disrupting the status quo. They can just take over what your business was doing ... by having better technology and better systems,” Berhane said.

Automation, she said, enables staff to perform much broader business analysis — to have a better understanding of performance and cost drivers, and improve processes.

Finance transformation requires finance and IT to work closely together — to make sure that customised reports, for example, fit the company’s needs, she said.

But for Berhane, it’s not only about having the most up-to-date technology. Businesses also need to understand what they want to achieve and which systems would work best for their type of organisation, she explained.

In addition, training staff on new systems is critical to embedding them successfully in the business, she said. “You have to make sure that your employees have the capacity or training to use the system correctly and efficiently.”

Leaders, she said, also need to look outside the business — to measure their company’s performance against that of competitors or their industry more widely.

“You have to know what the market looks like or ... have a benchmark that you can compare yourself to.”

She uses this approach when producing month-end reports. She said: “I put together the highlights for the overall real estate market [for] the biggest markets that we have in Toronto [and] in Vancouver. I give a high-level summary of what the market is saying.”

Fostering inclusivity

Berhane has a passion for diversity and inclusion that has been elevated by having a child who is on the autism spectrum. “It has opened up my understanding of what diversity could look like. … We have to be more accepting and more welcoming [of] the different types of needs people have.”

Berhane believes business leaders need to understand fully their team’s makeup, assess how inclusive their company is, and ensure its people take steps to have an inclusive culture. “By having a diverse team or group of people working in your company, you bring in diverse ideas, creativity, and knowledge that can definitely improve your company’s outcome in a positive way.” A diverse team can help build business with diverse clients or customers as well, she added.

Research has established that diversity correlates with improved business results.
Helen Berhane, FCMA, CGMA, leads the accounting team at Bridgemarq Real Estate Services Manager Limited in Canada.

A 2017 McKinsey study of 1,000 companies in 12 countries found that companies in the top quartile for gender diversity on their executive teams were 21% more likely to have above-average profitability than companies in the bottom quartile for diversity. Companies in the top quartile for ethnic diversity on their executive teams were 33% more likely to outperform their bottom-quartile peers on earnings before interest and taxes.

An inclusive culture is perhaps the more important aspect of corporate diversity and inclusion, Berhane suggested. “It doesn’t matter what level you’re at or what your role is in the company. ... It’s definitely very crucial to make people [feel] like they are included, their opinions [count], or their feedback or ideas are recognised.”

She said that companies that have “favourite go-to” recruiters or universities from which they usually recruit can consider reaching out to broader audiences to hire a more diverse team.

Retaining a diverse workforce is also important, Berhane said. People who feel valued or included in the company’s structure and in an environment that encourages growth are likely to stay longer and succeed, resulting in better retention rates for companies.

Giving back
Beyond her management accounting role, Berhane believes passionately in giving back to the profession. She became CIMA Canada board chair after serving as a board member and branch volunteer. For her almost two years in that public-facing role she was the first woman chair and the first from an African background.

As chair, she worked closely with the Institute’s corporate partners and sponsors, who support CIMA Canada’s business conferences and CIMA’s youth cricket programme among Toronto’s diverse communities, in partnership with the City of Toronto Parks, Forestry, and Recreation, and the Office of the Mayor of Toronto.

What started off as a casual friendly game for cricket lovers has become an activity that’s integrated into the schools in Toronto and surrounding cities, with a popular annual tournament. It’s possible because of the support of numerous sponsors, coupled with the organisation and coordination you would expect from an event backed by an accounting organisation.

“The volunteerism is really a wonderful way to give back,” she said, “especially in a profession that has given us the foundation for our careers.”

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Volunteering can provide a number of benefits beyond the obvious help it provides to the community or profession. Every hour spent in a volunteer role is an opportunity to build relationships, gain different perspectives, and master new skills.

One skill that many accountants seek to strengthen through their volunteer roles is leadership. Whether they are veteran C-suite executives or first-year professionals who have recently graduated from university, volunteering can place accountants in positions to explore leadership development in a way that may not be possible in the workplace.

Jenny Okonkwo, FCMA, CGMA, founder of the Black Female Accountants Network in Canada, and Amal Ratnayake, FCMA, CGMA, CIMA president and chair of the Association of International Certified Professional Accountants, share in this Q&A how to take a strategic approach to volunteer roles. Okonkwo is an international keynote speaker and an inclusion and diversity ambassador. She co-chaired and spoke at the 2019 AICPA and CIMA Women’s Global Leadership Summit in London. Ratnayake has held a number of volunteer roles including on the CIMA Canada board before becoming CIMA president in June 2019.

This conversation has been edited for clarity and brevity.

What are your general thoughts on the importance of volunteer roles?

Jenny Okonkwo: Volunteering is very much
Jenny Okonkwo, FCMA, CGMA, says it is important to volunteer in roles that provide opportunities to learn and grow.

part of the cultural fabric over here in Canada. I myself started the volunteering part of my career when I moved here. It was a great way of expanding, and creating and developing a professional network and also to understand and get an appreciation of the finance and accounting landscape.

People do give a substantial amount of their time in this area. If I talk about my own volunteer work in particular, it has really been focused around professional volunteering.

A strategic volunteering approach has helped me to build leadership skills. It’s a very different competency set to still produce results in an unpaid setting and get that level of cooperation that you would get in the workplace. It calls for a different level of skills and a different approach.

I also more recently have done a number of speaking engagements and mentoring. I have also been invited by CIMA Canada to represent it on the AICPA National Commission on Diversity and Inclusion.

Amal, you’re CIMA president, but you’ve had several volunteer roles previously?
Amal Ratnayake: I can echo Jenny’s words on the importance of volunteering. I started volunteering with the CIMA Student Society in Sri Lanka in the late 1980s. When I graduated from CIMA, I started volunteering on the Education and Training Committee of CIMA Sri Lanka.

Then more recently, I volunteered with the CIMA Canada board and for some of its committees in Canada. All of that has brought me to where I am today as
Amal Ratnayake, FCMA, CGMA, CIMA president and chair of the Association of International Certified Professional Accountants, says volunteering helps develop professional and leadership skills.

**What questions does a volunteer need to ask?**

**Okonkwo:** The first one is, what is the organisation looking to achieve? What can I bring to the table to help it achieve those goals, and what am I looking to learn? I think it’s important to have that balance. If you come into a volunteer role where you know absolutely everything, it may not be as fulfilling an experience as it could be. It’s always good to try and leave some room for learning.

Coming in with some skills and competencies that the organisation needs is always a great way to start because it brings confidence. It means you’re able to make an immediate contribution and at the same time find out if there are opportunities where you can learn and grow further and also where you can influence others.

As volunteering is the investment of one’s personal time on an unpaid basis, you want to feel that you’re able to completely contribute to the mission, vision, and core values of that organisation that you’re volunteering for. At the same time, you would want complete alignment with the vision, mission, and core values from your own personal perspective for it to work.
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You didn’t get the promotion. What now?

The sometimes-public failure of missing out on a new job is by no means career-ending. Here’s how to learn from the situation and bounce back.

By Rhymer Rigby
Few things are more frustrating than interviewing for a new job and not getting it. But when you go for an internal promotion and don’t get it, the situation can be worse and far more complicated. How do you bounce back from what can be a public failure — and get your career back on track?

It is likely that you’re going to feel angry and disappointed. In the short term, you must not overreact. Do so, and you show the decision was the right choice. Instead, thank whoever tells you the news and go for a walk or a coffee if you feel that it’s likely you’re going to say something rash. Once you’ve gotten over your initial frustration, recognise that you will feel disappointed and perhaps even bitter and resentful. If you do need to vent or rant, do so to a trusted friend or spouse, not a colleague. Get it out of your system.

Your next moves, step by step

Try to make sure it doesn’t happen again

Once you’ve had a day or two to process what has happened, speak to those who made the decision. Explain that you’d like some feedback. Do not go in saying that it’s unfair. Instead, you might say, "I really wanted that promotion, and I’m keen not to miss out next time. Could you tell me how me how far off I was — and what was missing from my CV? What did the successful candidate have that I didn’t?" Encourage the other person to be as honest as possible. You may have assumed that you were a shoo-in for the job when, in fact, you were miles off. In a related vein, people sometimes don’t prepare properly for internal interviews because they assume the interviewer knows everything about you. Sometimes your company chooses the wrong candidate. They might have done so for political reasons, because favouritism has come into play, or simply because they made a bad decision. In this case, you might consider hanging around for a few months to see if the decision turns out to be a disaster. Don’t hang around too long, though. When you’re waiting for people to come to their senses, it is easy to let weeks become months and months become years. Give yourself a hard deadline, after which you accept things aren’t going to go your way and leave.

Taking a chance

Going for internal promotions is a risk. Fail to get a job elsewhere and it’s likely nobody will know. Fail to get a job at your business and everyone will know. But sometimes this can be good thing, because it tells everyone that you’re ambitious.

Ask for training and even a coach. If your employer doesn’t routinely provide formal coaching, consider hiring a personal coach. Take a strategic look at your career, address any weak spots, and start actively planning for the next opportunity when it comes up.

Clear the air

If you have to work with the person who did get the promotion, make it known to that person that, although you wanted the job, you recognise the need to have a good, productive working relationship. This can be difficult if the person in question is a former colleague, and doubly so if you believe you were a stronger candidate. However, being constructive and supportive will look far better than being churlish and sulky and trying to undermine the person.

Take a fresh look at your network

Both inside and outside your organisation, you want to be in contact with people who will bring interesting opportunities your way. In a large organisation, this might mean putting yourself in places that bring you into contact with other departments or involve travel to other locations. In a smaller organisation, it could involve attending conferences, joining industry associations, and generally being more outward facing.

Raise your profile online

Use social networks like LinkedIn and Twitter. Show people what your skills are and make contacts, both in your industry and in related industries. Start conversations. When you post articles, you want to alert people to interesting information that will be useful for them. When you get more comfortable, offer your opinions — try to come up with fresh takes and unexpected angles, and talk a bit about yourself, too. People who use social media well often position themselves as influential experts in their fields. The very best will become known beyond their industry and may even gain mainstream media exposure. At the very least, you should ensure that anyone who does a Google search for your name will find a detailed, professional profile that conveys the message you want people to hear — and is updated regularly.

Consider leaving your organisation

Sometimes the reason you didn’t get promoted is simple, if unpalatable. You may not be a good fit for the organisation. You may also decide that, having been passed over for this position, there is now nowhere for you to go — and this is a particular problem in small companies. In both cases, the solution is to start looking for opportunities elsewhere. In a large company you may be able to apply for internal positions in different business units or in different locations.

Consider staying

Sometimes your company chooses the wrong candidate. They might have done so for political reasons, because favouritism has come into play, or simply because they made a bad decision. In this case, you might consider hanging around for a few months to see if the decision turns out to be a disaster. Don’t hang around too long, though. When you’re waiting for people to come to their senses, it is easy to let weeks become months and months become years. Give yourself a hard deadline, after which you accept things aren’t going to go your way and leave.

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 Neil Amato, an FM magazine senior editor, at Neil.Amato@aicpa-cima.com.
Using XBRL and big data to
In recent years, the Chinese domestic petroleum market has been dealing with oversupply, resulting in decreasing industry profits. Oil companies have been facing fierce competition and unprecedented operational pressures. Increasingly, oil companies have turned to management accounting to increase operating profits and add enterprise value.

The China National Petroleum Corporation (CNPC) is one of the companies affected. Its subsidiary, the CNPC Hubei Sales Company (the HSC), which has increased its operating profits and enterprise value by harnessing extensible business reporting language (XBRL) and big data, offers a case study into how management accountants can utilise valuable data assets.

A subsidiary of the China National Petroleum Corporation has tagged its way to better forecasting and business results.

By Yanchao Rao, Bing Leng, Xiuping Mu, Chao Li, Xiaofeng Hu, and John Turner
Factors leading to successful implementation

Implementing a big-data-led transformation using extensible business reporting language (XBRL) was achieved with executive leadership and a cross-functional approach at the China National Petroleum Corporation’s Hubei Sales Company (the HSC). The following factors led to the project’s success.

Government support and guidance
Since 2010, the accounting department of the Ministry of Finance has actively supported XBRL implementation in China. It has introduced the XBRL specification and has developed, published, and maintained a taxonomy for China Accounting Standards, as well as extension taxonomies for specific industries and specific regulatory requirements.

Top management emphasis
The HSC’s top manager emphasised the importance of the project, helping to smooth implementation and making it easier to get the human, material, financial, and other needed resources.

Project team cooperation
The HSC’s XBRL project team was led by the company’s CEO and CFO. The financial department and information department were jointly responsible for the project. The project team cooperated very closely across the core project team and across internal departmental “silos”.

Manager-driven implementation plan
The project plan was clarified and appropriate and was supported by different-level managers. The HSC began with the most difficult challenge faced by middle-level or tactical-level managers (the core business line leaders). After achieving significant, recognised results, the middle-level managers helped to push the potential for related achievements to top managers (strategy-level manager, chief-level manager). After receiving recognition from top managers, the project had a powerful driving force and enough resources to improve and maximise the project’s potential benefits.

Meeting internally driven needs
The XBRL project was involved in almost all elements of the business. This helped the business department grasp the operational and management trends accurately, locate the risk points quickly, embed risk prevention and control procedures in all business processes, and support compliant and efficient operation. All these were internally driven needs of the enterprise and were highly recognised by all business units.

Controlled costs
The cost of the project was less than 10 million RMB ($1.5 million) and was controlled to be lower than for an ordinary information system project, which usually costs almost 30 million RMB ($4.5 million) or even more. This increased the total profits of the HSC, which further increased support amongst the top managers.

The HSC took advantage of XBRL in cross-platform and heterogeneous systems to share and integrate data at the enterprise level and to support decision-making in areas including daily operations, market prediction, asset evaluation, cost control, investment, and risk identification.

The CNPC HSC, a state-owned enterprise, is responsible mainly for building a sales network to sell CNPC refined oil products in Hubei province. The HSC also organises oil procurement, transportation, storage, and wholesale and retail transactions.

The HSC has 824 petrol stations and 13 oil depots in operation, and annual sales have increased from 6,300 tonnes to 3.51 million tonnes over 18 years, achieving the objective of occupying one-third market share by sales volume with around 20% of the petrol stations in the area.

To increase sales, the HSC has previously put a lot of resources into promotional marketing activities, the effects of which have been difficult to evaluate. For a long time, management accounting has been limited to traditional quantity analysis, forecasting, performance, and incentives. The HSC also has 21 additional and heterogeneous information systems with decentralised data storage and nonstandardised and inconsistent data, which had hindered further data integration.

To meet new decision-making information requirements, the HSC built a new management accounting system that could process big data (see the sidebar, “Factors Leading to Successful Implementation”).

The HSC established a financial control system that has integrated financial accounting, fund settlement (the transfer of funds from buyer to seller and the transfer of an asset's title from seller to buyer), and operational budgeting and control. The financial shared services center (FSSC) is responsible for the system’s data classification, processing, calculation, and quality control.

XBRL and big data solution
XBRL is business reporting markup language. The standards are developed and managed by XBRL International and are currently used primarily for the definition and exchange of business and financial information. It has been widely used for financial reporting of detailed (“tagged”)
aggregate disclosures from regulated companies to regulators. This traditional use of XBRL is well established in China as well as the rest of the world. Nearly 150 securities, tax, banking, insurance, statistics, and business regulators mandate its use in about 70 countries. Whilst more than 20 million companies use XBRL for this kind of financial, performance, risk, and compliance reporting to external authorities, the number of companies taking advantage of this sort of standardisation of data inside the enterprise has been extremely limited.

The idea behind the HSC’s project is to implement use of XBRL for internal management reporting to structure and standardise heterogeneous data within enterprises — utilising big data to ensure businesses are equipped for the digital age.

The HSC launched the XBRL and big data project to explore the transition path for management accounting in an internet and cloud computing environment.

By using XBRL’s technical standards, the HSC aimed to establish a unified data platform and a unified standard index system, and to build a digital enterprise with data-driven scientific management and intelligent decision-making with the involvement of innovators from across the business, connecting past, present, and future.

By using XBRL to tag data, the project breaks each type of business data free from specific software vendors and product restrictions, establishing a standardised, self-describing, private data cloud with a connected semantic information database.

By using XBRL and big-data-based management accounting information, the project also aimed to expand the information available to cover internal management, customer behaviour management, and responsibility centres management, digging deeper into the value of data.

The financial control system and the other 21 disparate information systems in use at the HSC could provide a large amount of management accounting information, but the data is scattered through all the systems in different formats with significant noise and error, meaning it needs cleaning to be converted into valuable data.

Therefore, it was necessary to set up an automatic interactive mechanism within the existing system.

The HSC set up a new shared data platform based on Hadoop/XBRL. The XBRL database is built using a relational and in-memory database. It is based on XBRL multidimensional data characteristics, with object-oriented data storage to complete the calculation and processing, and uses open source Hadoop architecture for distributed computing to solve the XBRL and big data storage challenges and operational efficiency issues.

The new shared data platform integrates the enterprise internal systems with external correlated data, cleaning and transforming so far 1.8 billion trading data points. Internal systems included the financial system, main business system, investment assets system, and materials purchasing system. The externally correlated data was extracted from communications data, tax data, weather data, and other sources. Data extracted from internal and external systems is tagged using business model, index model, element model, or analytical model concepts within a model layer, and then waits to be called by the service layer. Associating highly granular (including transaction-level) data observations with these detailed — and connected — definitions, in an enterprise standardised and systems agnostic format, is key to the design of the system.

The platform implements data connectivity in a two-way flow to achieve the data analysis of user-driven cloud services. At present, it can provide a calculation engine, standard services, an index service, reporting services, analysis services, budget control, parallel computing, and cache services, which can be accessed by a statement reporting program, statistical query program, mobile application, or data mining tools.

Unified data standard system
To achieve automatic data interaction in the new unified data shared platform, it was essential to standardise the data.

The HSC standardised its internal data and its external correlated data in accordance with the XBRL standards technology and created its own practice methodology to standardise data using XBRL.

In this standardised process, data was collected and sorted, real elements were identified and tagged, dimensions and indicators were identified, and the directory was structured. Indicators are used to illustrate the concept of overall quantitative characteristics. Dimensions are used to specify the analysis attributes or characteristics for combining or subdividing indicators’ values. At that point the XBRL index system could finally be determined.

More than 2,000 metrics and 23 dimension items were defined from more than 15,000 report items in 341 internal reports, making the underlying data fine-grained, consistent, and flexible.

Easy to use
The XBRL taxonomy for this system uses a language that can be understood by business users easily. By using the same business language as typical human-computer interactions, it shields the financial and business staff from the technical complexity of both XBRL and the underlying IT systems. The interface of the XBRL index system is concise, and through the Excel plug-in and function, nontechnical users can quickly select a target, define custom analytics, and update the data without having to understand technical details such as XBRL syntax or underlying SQL repository structures.

At the same time, the system uses methods of web-based graphical analysis so the company’s upper-management users can utilise big data analysis and forecast results intuitively, making it easy to understand comprehensive figures that assist with management decision-making.
Project effectiveness

Value in data analysis
The HSC has built a multidimensional data cube that is tagged using XBRL. The data cube is a model that can be used to evaluate the aggregated data from a variety of viewpoints and analyse the data separately to discover the underlying cause of business-transactions-related operations and their results.

After tagging the transaction-level data with XBRL concepts, the HSC could quickly find certain petrol stations’ discount exceptions, abnormal price periods, the cost of each discount promotion activity, and so on. It could penetrate data freely through various organisation layers, trading hours, sales, product categories, promotional types, and any other dimensions that have been defined, to access the value of transaction-level data from the system. In addition to providing enhanced data mining that yields significantly more timely and effective analysis for decision-making, the integration of data standards across professional lines ensures more accurate and more compliant data.

Value in risk management
The HSC designed an early-warning risk mechanism by using XBRL technology and a machine learning model that could help identify hidden risks, pre-detect potential risks in station-level sales, and help control risk effectively. The model works by combining massive amounts of transaction data from the station-level system and fuel system, with business experience and knowledge of past problems.

It provides real-time tracking to send risk warnings, including of the risk of fuel card fraud and risk of transport-related oil loss, as well as the risks to inventory from the risk of oil losses, including from abnormal pump behaviours. All these risks can be differentiated for every single station, single fuel nozzle, single fuel tank, and each deal, and could support responsible units to deal with the related risk rapidly. For example, on 6 April 2016, the system notified a petrol station branch that No. 4 tank 93# had a petrol loss of 107 litres, a suspected spill. The branch immediately took measures to deal with disposal and repair, effectively reducing the risk of loss.

Value in budget management
By combining XBRL with big data, the HSC is making full use of internal and external data sources. It uses dynamic management models to balance quantity and efficiency within a single station’s customised forecast model.

For example, in the single-station fuel nozzle prediction process, a range of business data was used to determine clusters of similar types of petrol stations. Data gathered included the location of the station, station traffic flow, station incoming rate, ratio of petrol-to-diesel sales, customer group characteristics, and other elements, all of which were then analysed using cluster analysis and machine learning methods.

Then a multiple linear regression method was used to study the relationship between volume and price changes to determine the price sensitivity of different types and clusters of stations. Finally, the time series method was used to predict the daily sales volume, monthly sales volume, and annual sales volume.

Since the new budget model has been in operation, the difference between predicted and actual volume has been 3.12%, 1.67 percentage points lower than the difference between predicted volume using traditional methods and actual volume in 2016. By using this model, 37 petrol stations with stagnant sales exceeded their target of more than 1,874 tonnes in the first half of the year, an increase of about 65 tonnes per station over the same period in the previous year. This was accomplished by clustering stations by location, station traffic flow, station incoming rate, ratio of petrol to diesel in sales, customer group characteristics, and other elements. A multiple linear regression is used to study the relationship between volume and price changes to determine the price sensitivity of different types of sites. Finally, the time series method is used to predict sales volume on a daily, monthly, and annual basis. Based on all these analyses, potential critical factors for increasing sales are identified.

Value in customer management
Through the project, the HSC studied customer transaction data, dividing customers into high-value, low-value, stable, important potential, retained, etc., and analysing them from multiple dimensions such as their trading frequency, trading, purchase amount, purchase price difference, and stability. They then regularly updated their marketing and sales departments with dynamic customer information so staff could adjust product structure and marketing strategies and deliver promotions effectively.

A worthwhile endeavour
It’s clear that the XBRL-powered big data analysis system has provided numerous benefits to the HSC. Improvements have been made in operations as well as management of risks, budgets, and customer focus. In this highly competitive industry — and in any industry — data-driven management can increase revenue and profits while providing indisputable evidence that it’s delivering the value management seeks.

Resources

CIMA members
Data Analysis Fundamentals Certificate, tinyurl.com/rutzk4e

AICPA members
Analytics and Big Data for Accountants, tinyurl.com/yamk7ssg

Yanchao Rao, Ph.D., is an associate professor at Shanghai University of Finance and Economics; Bing Leng is director of a division in the Accounting Regulatory Department of the Ministry of Finance of the People’s Republic of China; Xiuping Mu, MBA, is CFO of China Petroleum Engineering Co. LTD; Chao Li is a partner at PwC Consulting in Beijing; Xiaofeng Hu is the director of the XBRL Business Division at Pansoft; and John Turner is the CEO of XBRL International. To comment on this article or to suggest an idea for another article, contact Ken Tysiac, FM magazine’s editorial director, at Kenneth.Tysiac@aicpa-cima.com.
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Converting dates to and from US format in Excel

Working with a spreadsheet from a country where the date format differs from yours can cause real problems. Here’s how to fix them.

By Liam Bastick, FCMA, CGMA

Dates can be awkward in Excel. The most prevalent format worldwide is Day-Month-Year (DMY), but not all countries follow it. One such country you might have heard of that differs from this “standard” is the US, where it is commonplace to use Month-Day-Year (MDY).

Why should accountants care about the way dates are formatted in different countries? Speaking from personal experience, I remember one project manager was nearly fired after he thought the deadline was 1 March 2015 when it was in fact 3 January 2015. This is the danger of 1/3/15, for example.

To show you how to overcome this problem, I will illustrate with converting US dates to what is often known as the “European” date format. Now, I know many readers would prefer this to be the other way around. I apologise, but I am an Australian Brit with the appropriate regional settings on my machine, and it’s a little awkward to perform screenshots that way. Don’t worry though — just follow me in reverse.

The problem becomes significant when you receive date data in a spreadsheet that is not recognised by your regional settings — or worse, actually is, like my unfortunate project manager, mentioned above. For me, my computer cannot make sense of US date formats such as those shown in the screenshot “List of Dates”.

I have left the data in “General” style deliberately so you can see only one entry, cell A4, is recognised as a number (date). The problem is, even that’s wrong as that represents 5 December 2022, not 12 May 2022.

How do I convert it? We could use Power Query/Get & Transform — but that’s not really what this article is about. There is an easy way in Excel — but first, let’s start with a hard way.

In the screenshot “List of Converted Dates”, I have managed to fix the issue:

See? Easy. Oh, sorry, I didn’t display the formula I used to do this in the image. Here it is for cell C2:

```
=VALUE(MID(IFERROR(TEXT(A2,”d/m/yy”),A2),FIND(“/”,A2,1)+1,FIND(“/”,A2,1))-FIND(“/”,A2,1)-1)&”/”&LEFT(IFERROR(TEXT(A2,”d/m/yy”),A2),FIND(“/”,A2,1)-1)&”/”&RIGHT(IFERROR(TEXT(A2,”d/m/yy”),A2),LEN(IFERROR(TEXT(A2,”d/m/yy”),A2))
```

Any questions?
I have provided the formula because I am frustrated by the number of times I have read on the internet that this is not possible formulaically. Rubbish. You would just be a little insane to do it that way.

I won’t explain this formula. Suffice to say it only works for converting US dates to European dates; the text strings are delimited with “/” and do not contain “@” in the text string. If you want the conversion to go the other way, simply replace d/m/yy in all instances above with m/d/yy.

Having said that, I think we are all agreed we need another — simpler — way. Let’s start again. Back to the original data, I make a copy in cells C2:C11, as shown in the screenshot “List of Copied Dates”. Please note that while the column on the right has the header “Converted”, the dates on the right are not yet converted.

I do this so I may retain the original data (it’s always best to keep a copy in case you make a mistake).

Next, I highlight cells C1:C11 (including the header) and click Text to Columns in the Data Tools group of the Data tab of the ribbon (or type Alt+A+E), as shown in the screenshot “Text to Columns”. This generates the Convert Text to Columns Wizard dialog box. In Step 1, choose the Delimited option and click Next, as indicated in the screenshot “Selecting the Delimited option”.

This means the data will be split into columns based upon a specified delimiter. Except we are going to cheat and not do that. In Step 2, uncheck all delimiters and then click Next, as shown in the screenshot “Unchecking All Delimiters”.

Now we come to the step that we actually want. We don’t use the Text to Columns feature to split data into separate columns. No, I want Excel to recognise my data as dates. In this final step, select the Date: option in the Column data format and choose the date format that matches the data as it currently is — not what you want it to be, as shown in the screenshot “Picking How Excel Should Read Dates”. You are asking Excel to recognise it. In my case, the data is in Month-Day-Year format (MDY), so this is what I selected. Once you have
chosen, click Finish and you will see the original MDY dates listed in the DMY style, as shown in the screenshot “Final List of Converted Dates”.

I think you will agree this is far simpler than the formulaic approach and, more importantly, works for all date scenarios — as long as the original dates are formatted consistently.

As you keep working with dates, you will appreciate more and more the need for consistent dates — and the fact that they really aren’t that difficult to manipulate once you know the tricks.

Liam Bastick, FCMA, CGMA, FCA, is director of SumProduct, a global consultancy specialising in Excel training. He is also an Excel MVP (as appointed by Microsoft) and author of Introduction to Financial Modelling. 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.
CIMA president speaks at Sri Lanka and India events

During his visit to Sri Lanka in January, CIMA President and Chair of the Association of International Certified Professional Accountants Amal Ratnayake, FCMA, CGMA, spoke at a dinner for Institute members and at a large-scale graduation event at Colombo's Bandaranaike Memorial International Conference Hall. Later in January he met members and spoke at a CIMA graduation event in Bangalore, in southern India.

At an Oracle CFO roundtable in Sri Lanka, Ratnayake described how the role of finance is being reimagined, using examples from his role as CFO at The Official Community Corporation, a Canada-based online event-driven brand management company for established recording artists.

He said that disruption need not be intimidating: “In fact, with CIMA and the Association at the helm, CFOs ... are better positioned to embrace change and lead our businesses, organisations, communities — and Sri Lanka — to prosperity.”

Ratnayake met with the governor of Sri Lanka's central bank, professor W.D. Lakshman, D.Phil. Their discussion included how financial literacy could be enhanced in Sri Lanka, and CIMA initiatives to ensure its members stay relevant in the era of rapid technological change.

He also spoke to more than 200 students at Sri Lanka's largest CIMA tuition provider, Wisdom Business Academy in Colombo, and met leading employers.

On 16 January, Ratnayake rang the Colombo Stock Exchange bell to open the day's trading and as a mark of CIMA's centenary.

Warsaw welcome for members and students

Institute Deputy President Nick Jackson, FCMA, CGMA, welcomed new CIMA members and recognised high-achieving students at the annual 2019 CIMA Awards Night and Christmas Party in Warsaw in December.

Jackson told members and students: “We’re more than accountants. We need to be much more in the era of digital. ... It’s really important that we recognise the evolution of our institution so that we thrive into the next 100 years — not just thinking what it was but what it will be.”

He was joined by other guests of honour: the UK's ambassador to Poland Jonathan Knott, FCMA, CGMA (see "Relationship-Building Advice From a Career Diplomat", FM magazine, Dec. 2019, tinyurl.com/w5v183a); and Marek Szydlowski, vice-chair of the American Chamber of Commerce in Poland.

Finance Transformation: The Human Perspective

Using a global survey and case studies of good practice from leading global organisations, joint research by the Association of International Certified Professional Accountants and KPMG International looks at whether, in an increasingly digital world, the people perspective is being neglected as businesses transform their finance functions.

The research — Finance Transformation: The Human Perspective — involved 678 senior finance and HR professionals from 44 countries. It can be read at tinyurl.com/rdexsn5.

The CGMA Competency Framework

The Association of International Certified Professional Accountants has recently published a guide to using the updated 2019 CGMA Competency Framework and spreadsheet tool, together with explanatory videos to implement competency improvement.

The updated CGMA Competency Framework expanded the previous four skill areas to five: technical, business, people, leadership, and digital. It is designed to help employers and finance professionals understand the knowledge and skills needed for management accounting roles.

The guide, tool, and videos can be found at tinyurl.com/rzksse7.
Updated CPD regulations have now come into force

In the February issue of FM, members were notified of the upcoming changes to the regulations governing CPD. These changes came into force on 1 March 2020.

All members are required to undertake CPD, which is an important part of the guarantee of professionalism that CIMA membership imparts. To ensure that our CPD monitoring remains robust, fair, and targeted, Regulations Part 113 – 18 (which govern CIMA’s CPD monitoring requirements) have been updated.

So that you are aware of the changes and how they impact you, please read the updated Regulations and further guidance in the Members’ Handbook (available at tinyurl.com/sfr8u7r).

Updated CPD regulations have now come into force

CIMA members receive awards

Harpreet Virdee, ACMA, CGMA, managing director of Capita’s Polish operations, has been awarded an OBE in the Queen’s 2020 New Year’s Honours List, predominantly for his charitable work as trustee for the City Sikhs Foundation. Founded in 2010, City Sikhs is a network for British Sikh professionals with more than 7,000 members.

Martin Roberts, FCMA, CGMA, Ph.D., has received a Sheffield Hallam University Vice Chancellor’s Award for Inspirational Teaching for his work as senior lecturer in accounting and finance at the university. The vice-chancellor’s award is made to individuals who have been awarded three times Inspirational Teacher of the Year — a student-nominated and independently judged award that Roberts won in 2013, 2015, and 2019.

Important changes to Members in Practice Rules

CIMA’s Members in Practice Rules have changed. The updated rules came into effect on 1 March 2020. Please see the Members’ Handbook (available at tinyurl.com/sfr8u7r) for a copy of the rules and further information.

Why have the rules been updated?

Anti-money-laundering supervisory bodies, such as CIMA, have been informed by the Office of Professional Body Anti-Money Laundering Supervision that they must improve the effectiveness of their supervisory processes. Updating the Member in Practice Rules is part of that work. The changes will impact all members working in practice, as well as any members providing accounting services, even though not registered as a member in practice.

In the past, CIMA has sometimes found it difficult to take swift or effective steps to deal with the small number of noncompliant members. The changes to the rules are designed to streamline and strengthen CIMA’s regulatory powers, enabling it to give better support to the great majority of members who work within the rules.

Members who do not comply pose a risk to the public and harm the reputation of all CIMA members. For members to retain the confidence of the public, it is vital that CIMA has regulatory processes that are fit for purpose.

What are the key changes?

Rules 6 and 8 set out the key regulatory requirements for members in practice. Should a member not meet those requirements, we will notify them that they have a further 28 days in which to comply. Under the new rules, failure to comply within that timeframe could result in one or more adverse consequences:

- Cancellation of a member in practice application or renewal application;
- A fixed financial penalty;
- Suspension of the member’s practising certificate; and
- Referral into CIMA’s disciplinary procedures.

Any member whose practising certificate is suspended or withdrawn must immediately stop holding himself or herself out as a member in practice and using the Institute’s logo.

Under Rule 2, as a result of changes to the AML legislation, offering Trust or Company Services has been added to the list of activities included in the definition of accounting services. Any members offering such services will be required to register as members in practice.

CIMA’s Members in Practice Panel was consulted on the changes, which were then approved by CIMA’s Professional Standards Committee.
Overtourism, in which excessive numbers of visitors to a city or attraction lead to crowding, environmental degradation, and fading cultural heritage, is a complex issue that involves everyone in the tourism and hospitality supply chain. From Peru’s Machu Picchu to Bali and Barcelona, local governments, businesses, and residents have realised that better management of resources is crucial. It is a prevailing theme that will continue as low-cost flights, an expanding global middle class, and social media that highlights “untouched” sites converge to intensify a yearning for travel.

Venice has been identified by the European Parliament to be in a state of overtourism, which puts pressure on the city’s infrastructure even as it scrambles to respond to more frequent flooding.
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