## THE ORGANISATIONAL AGILITY ISSUE

## The race has changed

(Bet on this one) -

## The best vision wins ...

Building skills to make faster, more confident decisions 12

## ... and speed sure helps

A blueprint for the resilient organisation 16









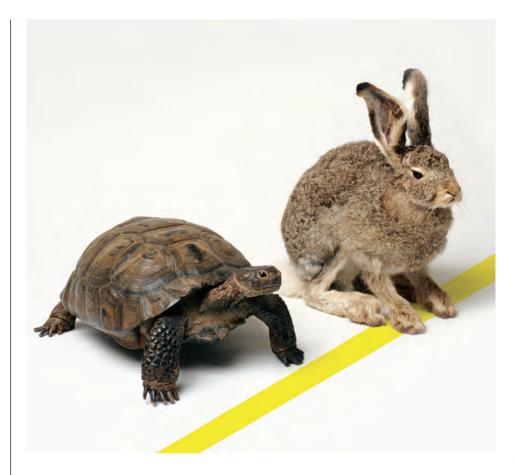




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# ON THE COVER AND ABOVE: PHOTOS BY GK HART, VIKKI HART/GETTY IMAGES

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Resilience Through Rapid Response
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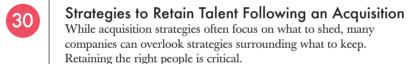
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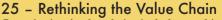
Uber

ZOOM
Cloud Meetings

ExpenseCloud

Air Display





Organisations' value chains include a multitude of business relationships across the world that impact the bottom line. Finance must take a holistic view of this extended value chain.

## **VISIT**

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## FEATURES

In-depth analysis of key business issues and best practices for management accountants, available exclusively to CGMA designation holders.

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NEWS

Management accounting, finance and career news written by CGMA Magazine staff and posted daily.

## MEDIA ROUNDUP

A digest of the top business and management accounting headlines from news outlets around the globe.

VIDEOS

Explore top issues with management accounting's thought leaders.





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## FIVE MUST-HAVE APPS



he sheer volume and variety of mobile apps for iOS and Android devices can be overwhelming. Our experts look at five apps that will help you survive life in the fast lane.

### **DOCUSIGN**

Being away from the office can make signing documents very difficult. With DocuSign, you can digitally sign documents easily and securely. DocuSign allows you to load documents from services such as Google Drive, Dropbox, email or even the device camera in addition to receiving them directly through the app. There are even ways to easily identify where you need to sign on documents and store the information it needs to insert. The app can track documents and manage the process of getting documents signed.

-Sarah Weller

## **UBER**

In Africa, public transport isn't great, but mobile is everything. Uber helps connect you with a driver. I recently needed a taxi from a free Wi-Fi zone in Tshwane, South Africa. A few taps on my mobile device and a taxi arrived within half an hour. Uber is available in more than 90 cities in 35 countries worldwide.

-Alan Knott-Craig

### **ZOOM CLOUD MEETINGS**

Zoom marries cloud video conferencing, mobile collaboration and online meetings. The simple cloud platform provides video and audio via desktop, laptop, tablet, mobile phone and traditional room systems. Zoom's free service allows unlimited one-to-one meetings and group meetings up to 40 minutes. Paid versions remove the time limitation and allow up to 100 video participants.

-Greg LaFollette

## **EXPENSECLOUD**

ExpenseCloud combines your smartphone camera with background linkages to your credit card and accounting system. Let's use a business meal as an example: The bill arrives. I add a tip and notation regarding attendees and purpose and then snap a photo. ExpenseCloud pushes the photo to the cloud. In the background, ExpenseCloud is polling my credit card company and pulls transactions as they are posted. When I prepare my expense report, I drag and drop the pushed receipt to the pulled transaction. Since the credit card metadata has already populated the vendor, date, etc., and the accounting system integration means ExpenseCloud "knows" the proper expense category, I'm done! One more click submits my report, with linked receipts, to our accounting system. ExpenseCloud is being rebranded as TriNet Expense.

-Greg LaFollette

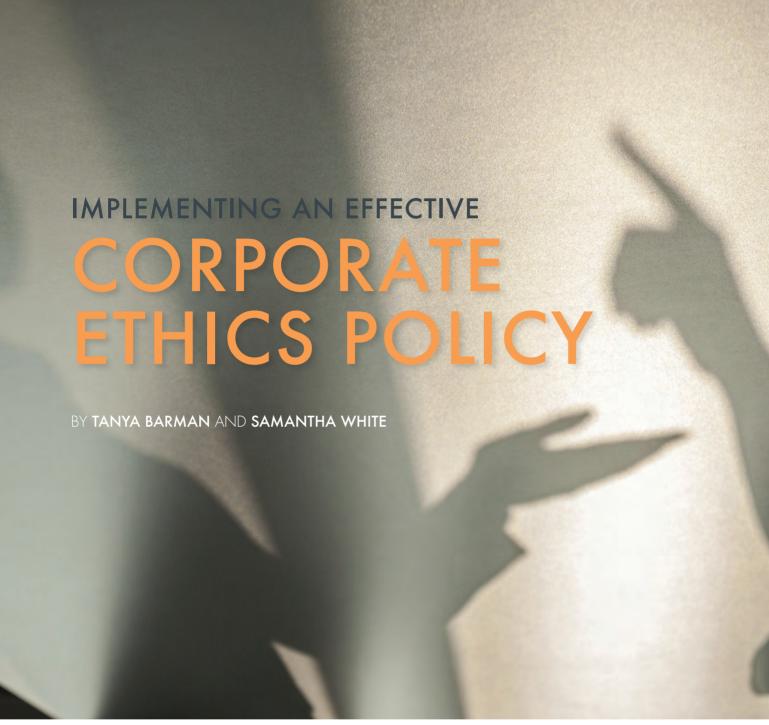
## AIR DISPLAY

Air Display is a clever way of helping you see and do more. The app turns your iOS or Android device into an additional display for your PC. It connects via Wi-Fi, so you can start dual-screening wherever you are. There is also a presentation mode for showing content to a coworker or client, letting you control the experience from your computer.

-Sarah Weller

**Sarah Weller** is managing director of Mubaloo, a UK-based enterprise and consumer mobile app development company. **Alan Knott-Craig** is CEO of Project Isizwe, a South African not-for-profit organisation that aims to bring the internet to people across Africa. **Greg LaFollette**, CPA/CITP, CGMA, is a strategic adviser with CPA.com, a commercial subsidiary of the American Institute of CPAs.





hen asked about their values, the vast majority of companies can provide a document they would describe as a code of ethics or conduct. However, research suggests a possible disconnect between companies' stated intentions and the degree to which they truly value ethical behaviour.

Here are five steps that companies can take to ensure that their corporate ethics policy is effective and becomes embedded in the company culture. Also included are

practical examples of the various ways organisations have accomplished this task.

**CODE OF ETHICS** 

The essential elements of a code include assurances of support for the policies from organisational leadership, practical guidance on what is expected regarding ethical issues, commitments concerning stakeholder relationships, example Q&As, scenarios or decision trees, details of how the code will be implemented and monitored,



and the consequences of misconduct. Signposts to further support, advice and other relevant policies should also be included.

COMMUNICATION AND AWARENESS CAMPAIGNS
This is a continuous process. Communication of a company's ethics policy never ends.

To engage employees and raise awareness of ethical decision-making, Cisco Systems created "Ethics Idol", a cartoon parody of the reality television singing contest *American Idol.* In each episode, animated contestants sang about a particular ethical dilemma or situation, which was then commented on by a panel of Idol-esque judges. After watching the show on the company's intranet, viewers were asked to vote on which of the judges had given the appropriate response to the situation. At the end of each section, the organisation's ethics officer revealed the correct answer based on official compliance standards.

Research shows that most companies' efforts tend to fail after step two.

TRAINING AND REINFORCEMENT
Most organisations now offer online anti-bribery training. On its own, this is not enough; companies shouldn't be comforted by a tick-the-box mentality. There is no substitute for face-to-face, qualitative training with wider discussion and debate of understanding and practical application.

Discussion of scenarios can help employees explore ethical issues in training sessions. For example, Stryker, a medical device producer, reviewed events that had taken place within its industry and built a set of fictionalised scenarios based on them. To provide context, Stryker created a hypothetical organisation with a back story, mission and an organisation chart. Employees were presented with a scenario based on this background and were asked to go through the company's code of ethics to identify which of the standards were being broken in that case. After the discussion, it was revealed to participants that all of the scenarios had actually taken place in the sector in the past, helping to bring the training home.

## SUPPORTING CONTEXT AND CULTURE

This involves having the "ethical architecture" in place to support a living, breathing code. That architecture includes outlining policies and regulations in employee contracts and supplier agreements, identifying individuals and boards who are accountable for outcomes, creating ongoing awareness-raising programmes, opening discussions with feedback and having oversight and monitoring procedures in place. Taking action against wrongdoing and communicating the action taken to staff is an important element of this.

More companies are including ethics-related criteria in performance reviews. For example, management accountants might be asked whether they challenged or raised and resolved an issue or an area of concern that could lead to fraud. For managers, does your team escalate issues and ask for clarification?

Siemens's strategy is to focus on bridging the communication gap between senior management and

## ETHICAL MANAGEMENT CHECKLIST

Here's a checklist of reflective questions for finance professionals relating to the management of ethics. It can be found in the Essential Tools for Management Accountants at www.cgma.org.

The questions serve as a foundation for reflection. CGMA designation holders must consider and comply with their employer's policies as well as ensure they uphold the code of conduct of the membership organisation to which they belong. A CGMA designation holder who is a member of the American Institute of CPAs (AICPA) must comply with requirements set out in the AICPA *Code of Professional Conduct* as well as any rules his or her state board of accountancy may have on the matter, and Chartered Institute of Management Accountants (CIMA) members are required to uphold the CIMA *Code of Ethics*.

Also see tinyurl.com/79u5qxp.

- 1. Does your organisation have an ethical statement/code of conduct/code of ethics? If yes, does it reflect your professional obligations?
- 2. Does your organisation currently communicate its ethical business practices and commitment to responsible business? If yes, how?
- 3. Are your statements for responsible business monitored and verified? If yes, how and by whom?
- 4. Does your organisation include a session on ethics and responsible business in its induction programme for all staff?
- 5. Is this featured in ongoing training?
- 6. Are you aware of what categories of ethical information are gathered in your organisation? If yes, are there any omissions?
- 7. Do you know who in your management team uses ethical

data? Who else might benefit from using ethical data, and how do you work together?

- 8. Does your board/chief executive/CFO take responsibility for ethical performance? If no, what role should they take?
- 9. Are staff rewarded/disciplined in relation to ethical performance?
- 10. Is someone in the organisation responsible for gathering or analysing ethical performance information?
- 11. Does ethical data gathered within your organisation help inform business decisions and business success?
- 12. Does your organisation have an anti-bribery policy? If yes, is your anti-bribery policy promoted/enforced? How?
- 13. Does your organisation have a whistle-blower/speak-up line? If yes, how is it communicated, and how are reports acted upon?
- 14. Does your organisation have an open-door policy between management and other employees to promote openness and transparency?
- 15. Do you feel confident that you and your team can maintain objectivity and integrity as well as avoid conflicts of interest? What steps can you take to ensure you do?
- 16. Would you know what steps to take if you were asked to do something that challenges your ethical standards?
- 17. Have you undertaken professional development to improve your skills in gathering, understanding and using non-financial information to benefit your organisation? If yes, what other professional development in regard to ethical performance would you benefit from?

employees at the lower levels of the company. In the 2013 financial year, the company introduced "integrity dialogues" in which compliance refresher training is cascaded down through the company. Compliance officers provide training to the senior management of each business unit, who then train their own direct reports and so on. Individual operating units within the company enhance their training activities with additional topics that address challenges specific to them. In this ongoing part of the practice, leaders talk about integrity and explain how they themselves "walk the talk" in terms of how they do business. The dialogue is carried through to every sales meeting to bring about an open discussion on ethical issues and how they should be handled.

## MONITORING AND ACCOUNTABILITY

Effective speak-up arrangements, such as anonymous helplines, through which employees, contractors and other third parties can raise concerns in confidence about unsafe, unethical or unlawful practices are an important element of good corporate governance. A key component of these arrangements is that staff feel comfortable that they can raise issues without fear of retribution. Some companies report the number and nature of queries raised internally to the board and executive committee and include the information in company newsletters. Some provide a breakdown of the reports by country and as a percentage of the workforce. Enlightened companies now communicate internally about disciplinary actions taken when wrongdoing occurs.

Some companies make this information public. Beverage company Diageo's annual sustainability report details the number of suspected breaches of the company's code of ethics (743 in 2013), how many of these were later substantiated (376) and whether they were reported through the speak-up hotline (242) or raised directly with a line manager or the compliance department, for example. The report also states that 116 people exited the business in 2013 as a result of breaches of the company's code or policies.

Reporting in this way provides evidence that the company has procedures in place that are actually used and are effective in managing ethical misconduct. According to the report, Diageo routinely shares examples of breaches that have recently occurred or testimonials from colleagues who were tempted to do the wrong thing yet made the right decision. The company also keeps track of employees' perceptions of integrity within the company through asking questions in a values survey.

### THE LITMUS TEST

The real litmus test of whether your ethics policy is working and embedded is if an employee feels comfortable enough to

## BEST PRACTICES FOR MAKING AN ETHICS CODE EFFECTIVE

- Root the code in core values such as trust and integrity.
- Give a copy to all staff.
- Provide a way to report breaches in a confidential manner.
- Include ethical issues in corporate training programmes.
- Set up a board committee to monitor the effectiveness of the code.
- Report on the code's use in the annual report.
- Make conformity to the code part of a contract of employment.
- Make the code available in the language of staff located overseas.
- Make copies of the code available to business partners, including suppliers.
- Make a named individual responsible for code implementation.
- Review the code in light of changing business challenges.
- Make sure senior staff "walk the talk".

-from Developing a Code of Business Ethics, Institute of Business Ethics

speak up if he or she has a concern and whether he or she believes the company will respond and, if need be, take appropriate action.

Once an ethics policy is securely embedded in your company, you also have to take into account the wider value chain. Today's complex and extended supply chain has significant implications for organisations' ethical, governance and risk-management policies and practices.

Therefore, it is advisable to conduct due diligence on new and existing suppliers alike, engaging them in ongoing discussions regarding your standards and contractual expectations.

For example, to engage a supplier base spanning 70 countries, UK-based retailer Marks & Spencer holds regular face-to-face meetings with partners as well as an annual conference. The company has a website where suppliers can access tools, guidance and incentives.

Helping to raise standards and awareness through the chain is beneficial for all. After all, good companies keep good company.

## NIMBLE THINKING TAKES

The race has changed for finance professionals. A new mindset is necessary so they can take a more holistic view of the organisation, enabling them to make quick, confident strategic decisions and communicate forward-looking insight throughout the business.

## BY DAVID A. J. AXSON

f any CFO sat down at the beginning of each of the past six years and tried to predict what the economic landscape would look like at the end of that year, he or she probably would have missed the mark every time.

The past few years have seen unprecedented uncertainty. The ever-increasing rate of change in global trade, the regulatory environment, technology — even social expectations of businesses — have set strategies in new directions and confounded those charged with developing credible forecasts and setting capital investment priorities.

The dynamics also have prompted people to think

differently about finance, forecasting and the role of financial planning and analysis. Business leaders are focused on understanding the impact of uncertainty and volatility, and they're looking to their finance teams to help them understand the trade-offs around strategy. They want finance professionals to act as business advisers and help the business make more confident decisions.

Useful insight, however, requires more than just traditional accounting skills. Today, being great with the books is merely the price of admission. The successful finance professional also is comfortable with providing insight and ideas.

To fulfil this expectation, finance professionals must embrace uncertainty. And to do that, they need to develop business acumen, which manifests itself in the ability to make faster, more confident strategic decisions. Business acumen



## THE LEAD

of the business. It requires a better understanding of the objectives of key stakeholders, better risk awareness and better collaboration across the organisation.

To get there, several themes are front and centre: Finance must, in certain cases, spend less time focusing on the past and more time seeking better predictions about the future. Finance must collaborate with the rest of the business and measure the most important indicators that drive the business. It must be a filter to deliver correct, actionable information and drive decisions quickly and with confidence. And it must synthesise that information into a strategy that capitalises on the strengths of the business.

## A MORE GLOBAL VIEW

Cleveland.

Forecasting is challenging today, in part because organisations are required to take a global view. Events in one part of the world have a ripple effect across the globe and are meaningful and material elsewhere; many more variables are at play.

Sixty years ago, the automotive supply chain in the United States went from Detroit to Today, microchips are being manufactured in Thailand and installed in cars in Germany that are then being sold in the United States.

Because of this changing landscape, high-performing finance professionals must have a global view, not just from



## TWO QUESTIONS FOR BETTER DECISION-MAKING

Here are two questions that can help organisations sif through mountains of data to focus on what's most important.

How can my organisation ensure it is tracking the right metrics?

Test the relationship. A lot of people mistake a

Test the relationship. A lot of people mistake a correlation for a causal relationship, and it's very important for finance to separate the two.

It's important to understand the variables in the outside environment that are going to directly impact the business. Isolate the few that are going to have the most material impact on the business.

What can my organisation do to improve real-time budgeting?

Match the time horizon of the rolling forecast to the decision-making cycle within the business. If it is a very long-cycle business, a multi-year rolling forecast may be necessary. If it is a fast-moving consumer products company, forecasting only 90 or 180 days into the future may be best.

The second most important thing: Match the desire for detail with predictive ability. The further out the organisation looks, the less accurate the forecast will be. So don't try to drive the same level of detail into the sixth quarter or the eighth quarter that is described in the first auarter.

-David A. 7. Axson

a geographic standpoint but also from an ecosystem standpoint — the ecosystem of customers, competitors, suppliers, employees and other stakeholders within the business.

They must have a comprehensive understanding of what drives profitability, cash flow and shareholder value creation within the organisation. They also must know how decisions will impact each of these elements, and this is where accounting moves into planning and analysis. Being able to show the value that is being created — but also being able to understand how different decisions will affect that value creation at some point in the future — is the essence of business acumen.

Finance professionals need to understand the competitive strategies required for success. They need to understand the people and activities needed to create and sell products and services in the market. And they need to think about business processes that enable a manager to deal with a much more complex operating environment.

Take, for example, a company that is selling multiple products through multiple channels to multiple customer segments. That creates a three-dimensional matrix around profitability reporting, resource allocation and prioritisation of activity, capital and cash allocation. It is finance's role to demystify that for business partners so they can understand the levers that drive superior performance.

This more global view has three basic components:

- The world out there: No one has the luxury of ignoring the macro environment. Demographics, politics and economics shape what's going on in the world today. Political leaders, for example, can have a fundamental impact on many aspects of the economy. A CFO cannot be effective if he or she doesn't understand the impact of the world environment on the organisation.
- Markets: What are customers doing? What are competitors doing? What are regulators doing? These groups will change the dynamics of the marketplace, which will change what is important or not important within the business.
- The organisation: What's the organisation's strategy? Does it align with the business goals and direction of the market? More importantly, within that strategy, how is the company seeking an advantage over competing offerings in the marketplace? What are the sources of advantage, differentiation and uniqueness that allow the organisation to be competitive? Is it the best product? Is it delivering the best service? Does it have the best price? Does it have the best price?

A number of different levers describe the advantages the company has as well as the risks facing the organisation. And that knowledge has a fundamental impact on the types of tools finance will use and the kinds of analyses finance will do.

This broad view can't be developed in a vacuum. The deepest insight comes from finance collaborating with people in other functional areas, across geographies or with colleagues in other parts of finance to truly understand cause-and-effect relationships.

Armed with a more holistic view, finance professionals can think more effectively and clearly about the future.

### LOOKING INTO THE FUTURE

The definition of "insight", as it relates to financial planning and analysis, amounts to the ability to answer three basic questions: What's happening in the business? Why is it happening? And what are we going to do about it? The ability to answer those questions — particularly the last one, offering choices with a financial evaluation of positive or negative

impact – can speed decision-making within the business. But too often we dwell in the past.

Take the budget. Many companies' budgets are obsolete the day they're created. The budget may have been correct when it was signed off on. But markets change rapidly. If the organisation is spending too much time looking backwards, trying to work out how last month's variances occurred, then it is wasting valuable time that should be spent positioning the business for the future.

Finance professionals instead need to think about how their organisations might change the way they allocate resources in different economic environments. If the economy improves, certain projects might be more advantageous. If the economy dips, those investments might decrease in importance. The ability to do upfront scenarioplanning allows organisations to make more confident decisions when the environment changes, instead of being thrown into reactive mode. Even if the organisation didn't get the scenario perfectly right, at least it has a better understanding of the direction of the changes it needs to make and is equipped, as an organisation, to execute with speed and greater confidence.

Key to that is the more holistic, global view, but also measuring the right stuff. Organisations measure a lot of things that relate to input, such as spending. But they tend not to be very good at measuring the outputs, such as the consequences of certain investments and customer satisfaction. Therein lies a weakness.

Reporting on the business is often driven by the chart of accounts. But where in the chart of accounts are the line items for the investment in retaining existing customers? Where is the line item detailing investment in attracting new customers? Finance can tell exactly how much was spent on travel last month, but it often can't tell whether that travel was directed towards growing the business and increasing sales or whether it was the result of administrative issues or service delivery problems with customers.

One of the obstacles in presenting and analysing these data: inefficient processes.

### THE DATA MONSTER

Finance teams are still wrestling with the data monster created in recent years. Many still use inefficient tools to accumulate the information value of all of that data.

The spreadsheet remains the reporting and analytic tool of

choice. It's a very labour-intensive process to extract data, organise it, download it into presentation slides and update the spreadsheets next month or next quarter for all the organisational accounting changes that have taken place.

Finance leaders must eliminate much of that low-valueadded activity so that the function can apply its expertise to financial planning and analysis. And finance needs to have a consistent and disciplined approach to analysis and decisionmaking. Many finance teams spend only a fraction of their time actually performing analysis and discussing those findings with decision-makers. Successful organisations, on the other hand, spend significantly less time collecting data and more time doing the analysis and Finance professionals making plans based on analyses.

need to become better

on what is important to the

executive and the decisions

he or she is trying

to make.

Finance professionals need to become better synthesisers and synthesisers and communicators communicators of information, offering insight on what is of information, offering insight important to the executive and the decisions he or she is trying to make. To do that, finance needs to move from being descriptive to being analytical. In doing so, there needs to be a balance of financial and operational information, internal and external information, and backward-looking and forward-looking information.

> Instead of just comparing to budget, for instance, consider comparing to prior-year performance, to benchmarks in the marketplace or to the results of competitors. Those are real and tangible, whereas the budget may have been laden with assumptions that are no longer valid.

> Instead of analysing variances, finance should analyse the potential outcome of future decisions. Finance's job is only half finished when it puts the forecast to bed, completes the budget or creates the report. The other half is communication of the insight that each of those deliverables provides the organisation, which helps business make better, smarter decisions. Ultimately, this is what determines the value of the work finance delivers.

**David A. J. Axson**, a managing director in Accenture's Strategy, Finance & Enterprise Performance practice, has more than 30 years of consulting, industry and entrepreneurial experience with clients and enterprises in more than 40 countries. He is the author of The Management Mythbuster and Best Practices in Planning and Performance Management. Before joining Accenture, he was co-founder and COO of the Hackett Group. He also served as head of corpo-

rate planning at Bank of America.

## PHOTO BY MARTIN POOLE/DIGITAL VISION/THINKSTOCK

## RESILIENCE THROUGH RAPID

A study of irrepressible companies highlights quick response as one key to remaining buoyant and offers best practices and tips for swiftness.



esilience is essential to surviving in a volatile business environment. But just what traits or abilities does a company need in order to achieve such toughness? Roads to Resilience, a report by Cranfield School of Management on behalf of the risk-management association Airmic, developed a blueprint for grit, based on

case studies of companies that had faced major crises. The report found that the ability to respond rapidly to crises was one of the five crucial abilities displayed by resilient companies. In an edited excerpt of the report, we examine why rapid response is important and explain how companies employ it to their advantage.

Resilient organisations need to have the capability, resources and relationships to respond rapidly and appropriately to emergencies and small changes that could ultimately develop into a disaster. Rapid response also allows a company to seize opportunities — the upside of risk. This capability is based on empowered teams, practised processes and flexible resources. Resilient organisations rehearse responses to anticipated scenarios so that an effective response to serious or significant

## CASE STUDY: VIRGIN ATLANTIC'S RAPID-RESPONSE TEAMS

A feature of Virgin Atlantic's flat structure is that operations and crisis-management roles are separated to allow faster and more effective responses to major unexpected events. In this structure, emergency response or duty commanders are not executives or even necessarily operational employees.

This separation of roles prevents senior leaders from being overwhelmed during an emergency. Instead, they step back, monitor the bigger picture, and act as a sounding board for the duty commander. Senior leaders also are free to manage key external stakeholders on the duty commander's behalf if needed. During any emergency, an experienced and well-prepared response team can manage the situation separately in the Crisis Centre, thus minimising the influence on normal operations.

Airlines encounter many unexpected events during operations, yet Virgin's emergency-response team is engaged

infrequently. That's because most unexpected events, such as flight diversions for weather or medical reasons, occur so frequently that they are considered business as usual. Those events are addressed through standard operating procedures. Even when an aircraft declares an emergency — a problem with an aircraft's undercarriage, for instance — the operations department typically is able to handle the situation. In those instances, the duty commander will be alerted and will be on standby, but generally response teams will step in only when an event:

- ☐ Can attract significant media attention;
- Can lead to a large number of enquiries by passengers and staff:
- Affects multiple routes; and
- Has direct safety and security implications.

Airlines have experience dealing with a range of security, terrorist and weather-related incidents. Therefore, even some events meeting the above criteria will still be addressed through standard contingency plans.

RESPON unexpected developments becomes possible, and they recognise that rapid response to an adverse development needs to achieve more than recovery of operations. It also should include a media response that protects the company's reputation. UNDERSTANDING RAPID **RESPONSE** There are four components to ensuring decisive and rapid response: Decisive and appropriate actions: Acting quickly can prevent issues from developing into problems or, worse, crises. Repeated small issues can mark the beginning of a trend - the total risk posed by multiple, concurrent issues can be significant. The ability to recognise the early indications of an emerging opportunity, and respond accordingly, also is a positive benefit of resilience. Identified teams and processes: Processes can provide

Identified teams and processes: Processes can provide a useful platform for a response, but skilled employees should tailor the response to the unique situation. These teams need to be cross-functional and empowered to decide what type of response is appropriate.

Empowered responses: Organisations must be flexible enough to provide a response while not being overburdened by the pressures of running their normal business. Allowing employees a degree of empowerment when responding to customers can often solve a problem before it becomes serious.

Rehearsed reaction plans: Although it's impossible to predict the details of every potential problem, organisations can still practise their responses to crises. When rapid-response plans and teams are established in advance, the organisation is much better positioned to prevent the incident from becoming a crisis.

## **RAPID-RESPONSE TIPS**

## **Decisive and Appropriate Actions**

- Classify risks to resilience so that appropriate risk monitoring and/or risk escalation/trigger procedures can be established.
- Include near-miss, scenario-planning, accumulated risks and behavioural aspects in risk-response plans.
- Receive, investigate and respond to whistleblowing reports to develop a willingness to report these circumstances.

### **Identified Teams and Processes**

- Establish nominated crisis-management teams that are separate from normal management and have defined roles and responsibilities.
- Introduce shared and structured training sessions to enhance plans and demonstrate that resilience is about culture, not rules or process.
- Ensure that trigger levels and escalation procedures are established for emergency teams to eliminate ambiguity in activation of the crisis plans.

### **Empowered Responses**

- Establish authority levels for empowerment of staff, suppliers and contractors to deal with adverse circumstances and developments.
- Conduct scenario-testing to ensure that responses are embedded and crisis team(s) with the necessary authority levels are identified prior to the crisis.
- Align resilience activities with other roles and responsibilities to ensure normal activities can continue during a crisis or disruption.

## Rehearsed Reaction Plans

- Establish a schedule of crisis rehearsal activities involving different parties according to the scenario being tested.
- Arrange for independent appraisal of the results of the scenario-testing exercises, with written reports, if necessary.
- Evaluate the scenario-testing appraisal reports and incorporate improvements and recommendations as appropriate.

## GETTING COMFORTABLE WITH UNCERTAINTY

Achieving a rapid-response capability depends on several elements of a company's business. Let's review each of their contributions in turn.

**People and culture:** Under normal conditions, risks can be managed by means of structures, standard operating procedures, trained operatives and continuous improvement. But when business conditions become more volatile, resilient organisations also have people with the right skills, empowerment and motivation to deal with unexpected developments.

Rapid response requires experienced employees who are comfortable with uncertainty. They also must be able to integrate diverse perspectives and resources. This tends to lead to the formation of flat, self-organising, multi-disciplinary project teams supported by leadership that gives people high levels of autonomy within their roles. Leadership is careful not to stifle creativity and innovation.

As an example, the *Roads to Resilience* case study of InterContinental Hotels Group, or IHG, found that the company has the awareness to recognise incidents, a strong communication network to report them and a clear process by which to respond. The company has codified and embedded crisis process management and has management teams at both global and regional levels. Crisis teams are carefully selected to create a rounded team with the right crisis owner. The owner has the authority to make decisions and add the appropriate risk managers, communications staff and specialists to the team.

Critically, these specialist teams include representatives who are trained to deal with members of the media. This prevents senior managers from being in the position of having to respond to a crisis, the press and other stakeholders at the same time.

**Business structure:** Understanding and responding to risk is, by its nature, a cross-functional task. Instead of having a silo mentality, senior managers must take a more horizontal view across the business.

The *Roads to Resilience* case study of the Drax Group, a power station operator, provides an example of how crossfunctionality can be achieved. Drax has representatives from many teams — including production, finance, procurement, fuel purchasing and logistics — collaborate on major tasks. The company also has assembled a technical risk steering committee. Due to the nature of its business, rapid response at Drax needs to be co-ordinated with external organisations such as the fire brigade. This demonstrates that a rapid-response capability also depends on another principle of resilience: relationships and networks.

**Strategy, tactics and operations:** No organisation can predict every possible problem, but resilient companies have the flexibility necessary to respond to unexpected

situations. Companies need enough resource and management capacity to respond while still managing the day-to-day business.

Many organisations do not fully appreciate the risks that are associated with corporate strategies and major programmes. This can lead to a focus on operational risks, while the risks associated with business strategy are overlooked. But operational incidents can have significant strategic implications, especially if they have wider brand or reputational implications. This is especially true amid the increasing impact of social media. Resilient organisations recognise that responding to adverse circumstances is not just about operational recovery or continuity; protection of reputation should be paramount.

The Virgin Atlantic case study (see "Case Study: Virgin Atlantic's Rapid-Response Teams" for excerpts) explains that airline employees involved in operational and strategic decision-making go through a common risk-management training programme so that everyone works with one concept of risk. Managers try to predict the consequences of their decisions. When adding new destinations, for example, managers try to determine in advance the best ways to ensure crew and passenger safety on those routes.

Leadership and governance: Major risks sometimes emerge suddenly and unexpectedly. To deal effectively with these challenges, some organisations have separate structures that are normally dormant but can be quickly mobilised in case of emergencies. These emergency-response or crisis teams are typically task-focused, comprising specialists from across relevant functions. Good communication is crucial in both recognising and responding to risks, and some companies specifically have governance forums responsible for reviewing the effectiveness of risk-related communication.

Many industries have experience dealing with a range of serious accidents and security and weather-related incidents. Hence, many of these unexpected situations are, in a sense, routine or business-as-usual events. This enables emergency-response and crisis teams to rely on well-rehearsed contingency plans and adapt them to the particular situation. During the handling of these events, response teams will have direct lines of communication with executive levels, but they typically operate independently.

When an emergency or crisis occurs, response teams can take the incident away from top management and deal with it separately, thereby minimising the impact of the event on normal operations.

To obtain the full *Roads to Resilience* report, email Georgina Oakes at georgina.oakes@airmic.co.uk.

### THE FOUR OTHER KEYS TO RESILIENCE

Roads to Resilience, a 2014 report by Cranfield School of Management on behalf of Airmic, found that resilient companies had five core capabilities or principles in common. No one principle is more important than the others, nor can any of them be ignored. The capability to ensure decisive and rapid response is one of those principles. Here are the others:

- Resilient organisations have exceptional **risk radar**, which gives an early warning by helping an organisation identify issues before they develop into major incidents. It also helps organisations consider risks in aggregate and allows different types of risk information to be collated. Resilient companies ensure that everyone in the organisation is aware of the importance of risk and the need for vigilance in relation to strategy, tactics and operations.
- Resilient organisations have resources and assets that are flexible and diversified. They establish clear operational risk appetite positions and then identify potential weaknesses through scenario analyses and stress-testing of strategy, tactics and operations. They use the diversity of resources to reduce risk and develop the skills for risk management throughout the organisation and beyond. This could include reducing dependence on single critical resources – such as suppliers, markets, brands, products, investors, knowledge and customers. (See the CGMA special report Rethinking the Value Chain on page 25.) Resilient organisations are aware of intangible assets – reputation, for instance – and develop proactive strategies to manage these assets.
- Resilient organisations value and build strong relationships and networks. They proactively manage risk throughout their networks of customers, suppliers, contractors and business partners. A customer-centric approach is crucial, as it shapes the way all types of relationships are formed. Openness with all stakeholders engenders trust and loyalty, as well as a desire to collaborate and share information.
- Resilient organisations **review and adapt** to changes and adverse events. Risk-management procedures and staff training are tested, refined and enhanced. This produces employees who are self-critical and willing to openly admit mistakes and report near-miss incidents. Every potential adverse event or circumstance is identified, analysed and evaluated.



oanna Barsh, director emeritus of McKinsey, is on a mission for meaning.

Barsh, who spent three decades with the consulting firm and has led the research on the concept of centred leadership since 2004, posits that finding meaning is the most powerful of five

capabilities that together distinguish great leaders from everybody else.

These five traits (meaning, framing, connecting, engaging and energizing) create high-impact, resilient leaders who also are, dare we say, happy. Barsh and Johanne Lavoie, a senior expert in McKinsey's organisation practice, are the authors of *Centered Leadership*, a new book of concepts, tools and exercises for leaders.

"We've now, for the last five years, been teaching centred leadership in client programmes, and we are holding those in China, India, Australia, the US, the UK and Scandinavia," among others,

Barsh said. Those workshops with rising leaders unearth plenty of obstacles to becoming a high-performing, centred stalwart. Demands include operating across silos with people outside of one's regular network; making transformative changes in companies; and working globally, all of which longe require accepting that the world is an exciting but exhausting whir of technology, competitive action and unpredictability,

So what's one to do? Barsh recommends starting by examining meaning. Centred leadership has three facets.

"The first is understanding happiness, because fulfilment —

being the longest-lasting form of happiness - is what we're focusing on here," she said.

It also requires a reversal of the perfectionist's traditional focus on weaknesses or development needs. "If you can overexploit your strengths and everybody does that, you will have very, very powerful teams," Barsh said. "And if you do that as a company recognising your strengths, you will actually reduce the fear that comes up when the word 'change' is voiced.

"The third piece is purpose. This is harder to find. ... All human beings tend to look for meaning. Most of us start to think about it when we approach retirement. But more and more the Millennials are starting earlier, saying, 'What is there to life if I cannot be certain that I will have a job forever or that I will have the style of living that my parents had? I need to find more to life.' And that's meaning. That's purpose. It makes me want to get up in the morning and come to work. It makes me want to work with these colleagues in order to accomplish something. It's very exciting. It's definitely more than short-term

profits. So it's a fundamentally different way of thinking about purpose of a company. Yes, companies need to deliver financial performance. ... But shareholder value can come from this longer-term reaching our purpose.

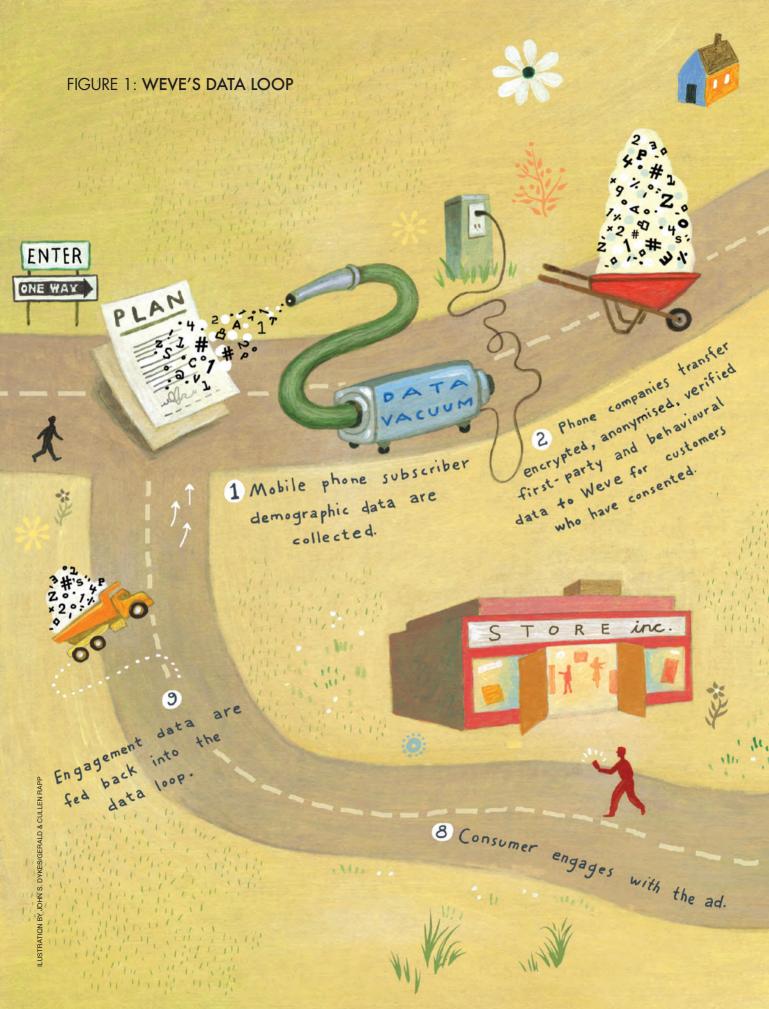
"The examples that are given are just so exciting — if you think about the fast turnaround of Starbucks when [CEO] Howard Schultz came back to it; or you look at [US grocer] Whole Foods and its meteoric rise. Even Wal-Mart is working on purpose. It's not something that only small companies or premium-price, niche companies can do." ■

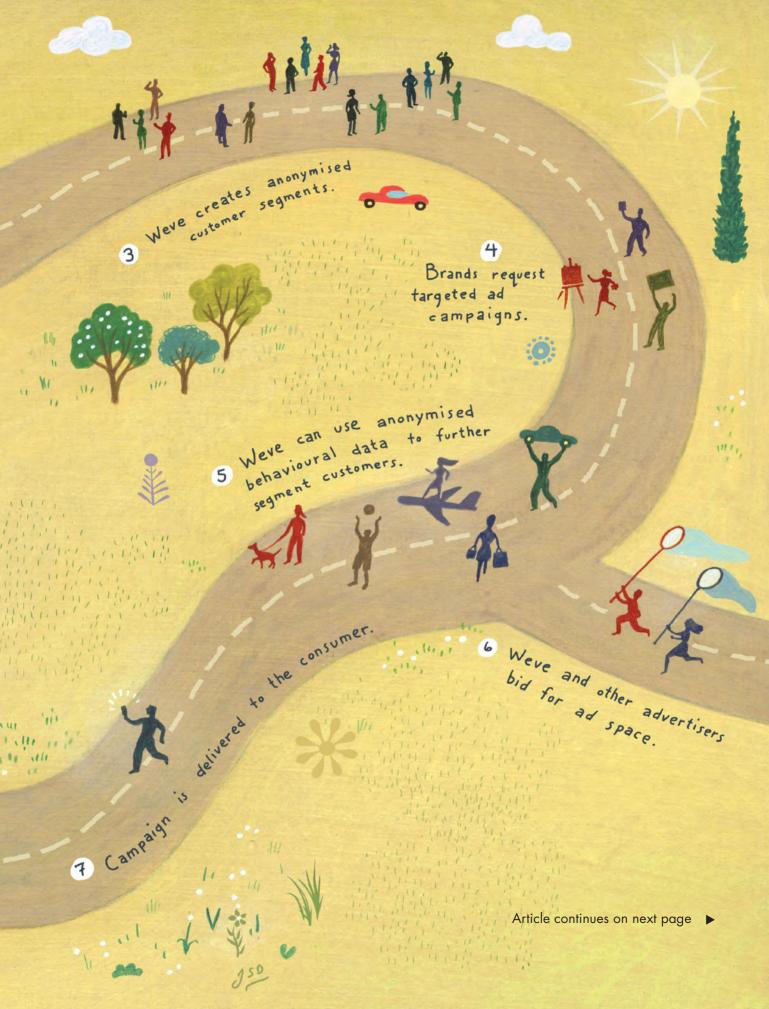
## KEEPING CUSTOMERS IN THE LOOP

Data are the driving force behind Weve, a mobile advertising joint venture between mobile network operators O2, EE and Vodafone. **Paul Worthington**, **ACMA**, **CGMA**, draws on his experience at O2 to provide guidance on safeguarding customer data.

## BY SAMANTHA WHITE







Data are the driving force behind the Weve business model. With a combined total of 22 million subscribers, the mobile network operators (MNOs), O2, EE and Vodafone, have access to 80% of the UK's addressable market. Weve's goal is to responsibly leverage its combination of verified first-party user data and browsing behaviour to help advertisers deliver campaigns to their target audience.

O2 submits encrypted and anonymised data from its customers who have consented to the joint venture. It maintains a blacklist of domains, such as health or religious sites, that cannot be transferred to Weve because sensitive personal information could be inferred from the use of those sites. Behavioural data change rapidly, and it is important to keep them refreshed daily. In line with industry best practice, data are not retained longer than necessary. If a customer opts out of receiving messages, he or she is removed from campaigns within five days, and his or her data are permanently deleted within one month.

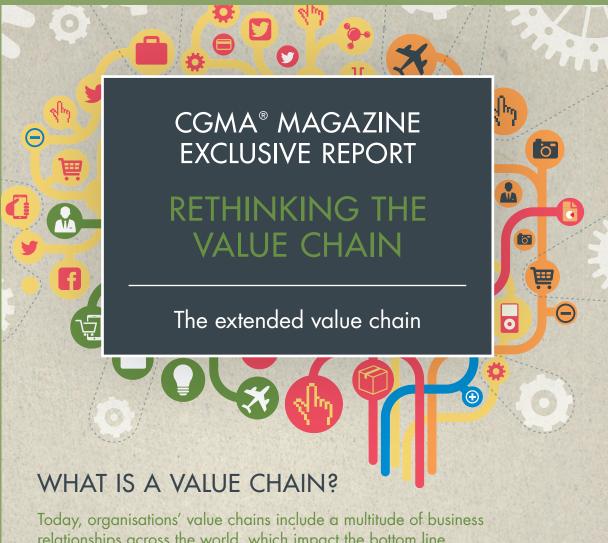
Data are the driving force behind the Weve business model. With a combined total of 22 million subscribers, the mobile network operators, O2, EE and Vodafone, have access to 80% of the UK's addressable market.

When brands request ad campaigns with a specific target demographic in mind, extracts of anonymised behavioural data from browsing activity (up to the first slash of a web address) help to further segment customers into, for example, car buyers or mums. This is the most valuable data for the operators collaborating in Weve. The idea is that subscribers receive more relevant ads and offers and are more likely to engage with them, making advertisers more likely to place future campaigns with Weve.

## SIX RULES WHEN WORKING WITH CUSTOMER DATA

Within O2, the internal governance process to manage data is called Information Council. This is made up of lawyers and business intelligence, finance, security and regulatory specialists. Any proposed use of customer data has to be approved by this forum. Paul Worthington draws on his experience at O2 to provide guidance on safeguarding customer data.

- **1** how you're using it and how you're protecting their data. A lack of transparency will attract unwanted attention and suspicion.
- 2 prominent and simple. Customers are more relaxed about their data being used if they think your organisation is upfront and not hiding behind pages of legal jargon.
- Plan ahead. However robust your processes, always plan for the worst. Evidence shows a company's reputation can even improve in the event of a data breach based on how quickly it communicates after the event. In case a data breach does arise, O2 has processes in place to inform the public and the relevant authorities about the problem and to outline what the operator is doing to resolve it.
- 4. Know your regulations and proactively engage the industry bodies and regulators. Know the rules inside out and don't take shortcuts. Sloppy processes or data controls can bring financial penalties as well as permanent brand damage. Data are arguably your company's greatest commodity. Treat them as such.
- **5** Communicate the value. Customers are more relaxed about the use of their data if there's a clear benefit to them. If your organisation is using the data in exchange for a free service or to provide an improved service such as tailored offers, make that clear.
- Give customers control. Customers want to be in control of their own data. Be clear on how customers can change their preferences or how they can opt out altogether. It promotes trust and will further engage your customers. For example, before a new subscriber can be added to the O2 customer base to receive text messages, he or she receives an initial message about the offers proposition, including details of how to opt out if desired.



relationships across the world, which impact the bottom line.

Finance must take a holistic view of this extended value chain. Firstly, to articulate the value chain to facilitate effective decision making, based on the right information, at the board level. And secondly to take a strategic

view of risks and opportunities, exploring the commercial potential of embracing an even wider range of innovative business relationships and new markets.

## Definition: the value chain

The value chain is the series of steps an organisation carries out to create value for its customers.

Value chain analysis helps organisations examine all of their activities, to see how they are connected and how to drive value.

Traditional value chain analysis focused largely on in-house operations and supply chain issues, but today the boundaries of an organisation's value chain have become extended and blurred, with greater reliance on outsourcing, supply chains, business partnerships, and shared service centres.

## MAJOR TRENDS AFFECTING GLOBAL VALUE CHAINS

Within the broad economic context and trends of globalisation, demographic change and digitisation, business performance depends on effective strategy formulation and execution. This requires an understanding of the macro environment and how to mobilise the right resources via an extended value chain to exploit opportunities to create value for stakeholders, while managing risk. It is a constant exercise of balancing opportunity, costs, value and risks.

## 1. Globalisation

Today, value chains span the world. Goods, services, technology and capital flow across national boundaries, to reach new markets and also reduce costs. As well as import and export, a significant component of globalisation has been foreign direct investment into production or other business activities.

Organisations are deploying a range of strategies to capture the growth opportunities. But these increasingly complex global value chains bring vulnerability and risk too – from potential breach of intellectual property rights to severe weather events and other natural disasters, currency or exchange rate volatility, to the impact of geopolitical instability. As a consequence, organisations need to develop mitigating strategies that will help to build a more resilient value chain.

## 2. Demographic change

We are in the midst of a major redistribution of the world's workforce with slow or no population growth in some countries contrasting with rapid expansion, especially in working populations, in others.

As these demographic changes intensify, global trends will become increasingly significant. For example, urbanisation will create centres of innovation,

and demand for a new manufacturing strategy is emerging – 'Next-Shoring'. This emphasises the importance of proximity to demand and proximity to innovation in location strategy. In the future organisations will need to think less about whether to locate in one country or another and more about how to construct extended value chains that best recognise and utilise local centres of demand, knowledge and expertise.

## 3. Digitalisation

The volume and variety of data available for analysis is expanding exponentially. The amount of data created every day is expected to double every three years. Businesses will face the challenge of managing this rapidly growing data interchange between themselves and their customers and other stakeholders.

Digitisation is also driving the rapid pace of change in technology in manufacturing processes that have the potential to disrupt established value chains but which also create opportunities for innovative business models.

The latest 3D printers, for example, can tackle complex mechanisms using a wide range of materials and McKinsey Global Institute research suggests that it could have an impact of \$550 billion (£325.7 billion) a year by 2025.

## REPUTATIONAL RISK, ETHICS AND CORPORATE GOVERNANCE

These mega-trends, along with an expanding array of ethical, legal, regulatory, and social responsibility issues comprise the ever-evolving governance aspects of managing the extended value chain.

Corporate shortcomings of the past decade are driving a greater demand for transparency and regulation, and the explosion of social media means the wider public can take to cyberspace to vent their opinions, good or bad. Considering 80% of the value of an organisation is now represented by intangible assets,<sup>2</sup> including the value of the brand, it is clear that reputation, and managing reputational risk, is more important than ever.

That is why organisations need to focus on third party risk to their reputation, through the supply chain and key relationships.

Companies and their boards need to be aware of the growth of legislation, regulatory requirements and social responsibility expectations which have a material impact on the way organisations manage their value chains. Bribery and corruption, human rights, child labour, health and safety and environmental issues are just some of the many legal and social issues which must be addressed.

## External drivers of value chain risk

The more dispersed, complex and global value chains become, the greater the exposure to external geopolitical and environmental risks. It is increasingly important to consider weather events, such as floods, storms and fires as well as profound political and social instability.

Other risk factors to consider include cyberattack, environmental risks such as resource constraints and the impact of population growth.

While the origin of such external risks may be outside the organisation's direct control and not caused by weaknesses within the value chain itself, the organisation may still be able to influence significantly the impact of such events by effective risk management including close attention to the reputational risk aspects.

## ACCOUNTING FOR NATURAL CAPITAL

Natural capital – the natural resources and ecosystems on which an organisation depends – is the bedrock of life and underpins all other forms of capital, including financial. Although the globalisation of supply chains has offered enormous benefits it has also presented new risks such as resource scarcity, price increases, impaired production and fines. But natural capital issues also present opportunities such as increased efficiency and, with growing interest from governments, it may not be long before organisations are forced to

pay for their environmental impacts. In response to these growing pressures, organisations such as Puma and Coca-Cola have begun to look at their relationship with nature – both dependencies and impacts – and started to account for natural capital.

Accountants have a crucial role to play in supporting the adoption of natural capital accounting in their organisations and ensuring that natural capital externalities are reflected in data collection, decision making, risk management and reporting.

## CONCLUSION

Every organisation will face different circumstances and challenges, but what all organisations share in common is the need to have a transparent and thorough understanding of their value chains.

This need is driven not only by traditional concepts of value creation, but also by the need to build resilience in the extended value chain. In the face of reputational risks and growing reliance on, sometimes informal, business partnerships and scarce natural resources this is vital.

Finance professionals have a key role to play in ensuring that organisations have the right information and are asking the right questions to support this effort.

## TEN RECOMMENDATIONS FOR SUCCESSFUL VALUE CHAIN MANAGEMENT

Widen the focus from traditional supply chain analysis to encompass the demand chain to the same extent.

**Do the legwork** to identify who is essential to the chain's success and how they operate. Who adds value and where?

**Review data flows** and implement efficient and reliable information exchange.

**Recognise the external context.** What are the regulatory, political and social system and infrastructure requirements necessary to support operations across the value chain?

**Align key performance indicators** and articulate what criteria will be used to define 'value'.

**Look to the future** and collect, analyse and communicate information about business activity and the external environment.

**Focus on business partnering** and alignment between the supply chain, the business and corporate strategy.

**Learn to embrace dependency** sharing not only a common aim but also integrating business processes and information systems.

**Seize the opportunity** to develop collaborative business partnerships to gain competitive advantage which extends across the entire value chain.

**But be realistic** and aware of risks across the value chain.

## Further resources

This report is based on our series exploring the extended value chain.

To find out more, visit cgma.org/valuechain

- 1. Disruptive Technologies: Advances that will transform life, business and the global economy, McKinsey Global institute, May 2013
- 2. The increasing value of intangible assets, Financial Management, July/August 2013









## **EXAMINATION AND DESIGNATION**

## **UPDATES FOR 2015**

Starting in January 2015, CGMA candidates from the Chartered Institute of Management Accountants (CIMA) and the American Institute of CPAs (AICPA) will be required to pass the same, strategic case study exam to earn the CGMA designation. The exam will test competencies that employers require to build successful finance departments.

The goal is to test the candidate's ability to apply knowledge and understanding to real-world scenarios. The exam will simulate a business context relating to one or more fictionalised organisations — based on a real business

or industry. The exam will require candidates to provide, for example, a strategic analysis of options leading to recommendations, an associated risk analysis and formulation of a financial strategy.

The computer-based exam can be taken at more than 5,100 testing centres worldwide. The three-hour exam may have between three and six questions based on one comprehensive business case. While CIMA students and AICPA candidates eventually will take the same exam to earn the CGMA designation, they will take different paths to reach that point.



The CIMA assessment methodology employs two distinct approaches: objective testing and case study examinations.

For CIMA students, this case study is the final of three in a series of nine

objective tests and three case study exams.

The exams test knowledge of the content of the 2015 CIMA Professional Qualification Syllabus, which was updated following robust and comprehensive worldwide research. Revisions include new topic areas such as finance function transformation, sustainability, integrated reporting and Big Data.

To better reflect today's workplace, the weightings of some existing subject areas have been adjusted. For example, content on costing, cost management and cost leadership has been reinforced. The context of risk and risk management has been increased, as well as featuring in all three levels of the syllabus.

The blend of the two approaches, with the integrated case study exam at the operational, management and strategic levels building upon the individual objective tests at the subject level, provides the optimum mix to allow the candidate every opportunity to demonstrate the required competencies. Technical competency and breadth of subject knowledge are primarily tested in the objective tests, while the case study exams develop higher-order skills (particularly application, analysis and evaluation) and require application of these within a simulated business context.

More information is available at tinyurl.com/ CIMAexam.



For CPAs with the requisite experience, passing the CGMA exam is the final step to obtain the designation, unless they sign up for the designation before 2015.

The exam tests a wide range of knowledge and skills,

including research and analysis, how to present information and communication. Whereas the Uniform CPA Examination has multiple parts of objectively scored items such as multiplechoice questions and short cases, the CGMA exam requires candidates to respond to scenarios based on one business case.

Until the exam becomes a designation requirement, US CPAs who meet the experience criteria can qualify for the CGMA designation. But beginning in 2015, candidates must meet the experience criteria and pass the exam.

The criteria are:

- Three years of financial or management accounting experience in business, industry or government; or
- Two years of financial or management accounting experience, plus one year in public accounting; or
- Three years of financial/management accounting experience on a consulting basis; or
- Three years in a management accounting role focused on the management and operation of an accounting firm; or
- Awarded a research-based doctorate degree in an accounting or related business field at an accredited academic institution, and has taught at least four college classes in an accounting or related business field at an accredited academic institution.

More details are available at tinyurl.com/cpacgma, tinyurl.com/faqcgma or tinyurl.com/kq527y5.



While acquisition strategies often focus on redundancies — what to shed — many companies can overlook strategies surrounding what to keep. Keeping the right people, in particular, is critical.

## BY NEIL AMATO AND LORI SEXTON, CPA, CGMA

he flow of mergers and acquisitions has ramped up in 2014. Companies are on the lookout to buy or be bought. Whenever that happens, rumours often abound amongst the rank and file of the companies in play. In the event of a deal, who will stay, and who will go?

How companies communicate strategic transactions with their employees — and how they decide the answers to those difficult personnel questions — can make or break a deal in the long run. If the process is not handled correctly, the best talent will walk out the door.

Bottom line: Be transparent. Be personable. Understand that the best talent comes at a cost. And, above all, start planning as early as possible.

"Procrastination is a major enemy of employee retention," said Byron Traynor, CPA, who specialises in mergers and acquisitions at consulting firm Protiviti. "... The longer things take, the more communication you have to do. And the longer it takes, the more opportunity people are going to have to act on their own facts and rumours."

The process of identifying talent is designed to make sure the right workers are in place to get the new company off to a strong start. Human resources consultant Towers Watson surveyed 178 companies about talent retention during the M&A process. Of the companies that reported retention success during a deal, 74% went through a talent identification process either before or during due diligence or the deal's negotiations. Of those that reported talent problems, only 42% had started that early.

## NINE STEPS FOR IDENTIFYING THE BEST TALENT

Some companies form committees to evaluate talent; others use a third party to ensure objectivity. But before a talent assessment begins, companies must choose leaders for the joined entity wisely. They set a tone and provide certainty. According to PwC, serial acquirers say their biggest regret in deal-making is not spending enough time on the selection of the leadership team for the new organisation.

As for the rest of the workforce, here are a few best practices to effectively assess and retain top talent in an acquisition:

DEFINE STRATEGY AND CULTURE
What is the goal of the deal: to expand an existing business line or to diversify? The buying company must define the strategy of the move before identifying the best people to keep. This step also includes a possible restatement of the company's vision going forward, which requires buy-in from key stakeholders before the deal is complete.

## REMAIN FLEXIBLE

In general, deals are becoming more complex and more transformative, which means blending talent from two companies into one can be more difficult. Acquiring organisations should consider what can be gained from the skills of the target company. Part of the value of the transaction is access to new talent, said Lawrena Colombo, CPA, a partner in PwC's M&A advisory human capital group.

## 3 STAY OBJECTIVE ON TALENT EVALUATION

This can be a difficult part of the process; we're all human. To eliminate bias, one possibility is to remove names and other identifying information from CVs, assigning a number instead of a name to each applicant. Hiring managers should also analyse the data, looking at productivity measures, for instance, for applicants in sales. Some experts recommend taking a deep dive into an applicant's personality, using leadership competency tests and even outside evaluations.

Job requirements and descriptions in the combined company should be compared against the talent pool in both companies as well as the existing job descriptions. Using a

customised and standardised rating system helps companies establish baseline expectations.

## 5 STAY OPEN-MINDED ABOUT SYSTEMS EVALUATION

In departments where performance is harder to measure than, say, in sales, one CEO recommends looking at entire systems instead of people. "If it's the same business, you're going to look at the software," said Mark Biersmith, CPA, CGMA, a Texas-based executive for an international technology company. "The best-practice scenario is looking at the most efficient software package. And the most efficient way to maintain that is to keep the people who are running it." It's possible that a third, new system is the best choice, especially as cloud-computing options grow.

## STAY ON SCHEDULE

Acquiring companies can minimise the loss of top employees at the target company, some of whom are bound to explore other options at the first whiff of a deal. Announce a planned timeline, quickly identify the jobs that are available, and quickly make an informed decision.

## STAY ON MESSAGE

If a company is re-interviewing existing personnel for positions in the new company, the way it awards those positions matters. For instance, if a chance at continued employment is communicated as an offer, the worker might think there's room to negotiate. While negotiation is likely for executive positions, it's less likely down the ranks. A letter that simply states salary and job responsibilities works best.

## 8 GIVE GOOD REASONS FOR EMPLOYEES TO STAY

People are going to remain at organisations where they believe they have a champion. "You want to meet them as soon as you can to see if there's rapport and a trust factor," Traynor said.

## MONEY MATTERS, BUT IT'S NOT EVERYTHING

Independence and influence are also important, according to PwC's Colombo. While employees will want to know how much money they'll make, they'll also ask questions about reporting structure, resources and access to training.





## HOW TO TURN A TECH TEAM INTO A STRATEGIC PARTNER

These eight questions can help finance leaders get the most value out of an organisation's IT function.

BY DONNY C. SHIMAMOTO, CPA/CITP, CGMA

FOs and controllers are increasingly being called upon to oversee information technology (IT). And that's posing a bit of a conundrum for some. Indeed, many of those professionals — the ones who have long been valued primarily for their financial proficiency — are being thrust outside their expertise, often finding themselves unsure of how to help IT go from a systems-and-networks role to one that adds significant value.

So how can one become surefooted in unfamiliar territory? Start by asking your chief information officer or IT service providers these eight questions. Not only might they give you a better understanding of the IT side of your organisation, but they can also help IT take a broader role — one of leadership, rather than compliance — in the business.

## DOES THE IT DEPARTMENT HAVE A CLEAR UNDERSTANDING OF THE ORGANISATION'S BUSINESS STRATEGY AND GOALS?

One fundamental issue in organisations is that IT strategy is primarily a technology strategy, often with loose ties to business strategy (see Figure 1). An organisation's mission, vision and goals normally drive its business strategy.

Instead, the business strategy should drive the vision for how IT supports the organisation, which then drives IT's goals and strategies (see Figure 2). When the IT strategy is not well-aligned with the business strategy, there are often two primary causes:

- 1. The business strategy is not well-defined or communicated.
- 2. IT leadership lacks the broader ability to think strategically.

Clearly communicating the business strategy is a challenge for many organisations, so it should not be a given that it's automatically an IT deficiency.

Sometimes, IT strategy is outdated and needs to be realigned with the current business strategy. When doing this, remember that technology is an enabler and a tool, a means to an end. For example, launching a website isn't normally the end goal. The organisation may want to provide information, sell a product or enable customer support. These are the business objectives, and a website is a tool that enables these objectives to be achieved. So the IT strategy should focus on identifying the right technologies and practices to help fulfil IT's role in achieving the organisation's mission.

However, if there is clarity of the business strategy with other department leaders but a lack of clarity amongst IT leaders, then it may be time to examine the ability of current IT leadership and determine whether training in strategic thinking, or a change in leadership, is needed.

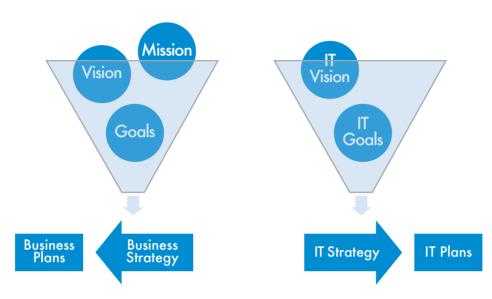


FIGURE 1: COMMON APPROACH TO DRIVE INFORMATION TECHNOLOGY STRATEGY

Business plan and IT plans diverge

## WHAT ROLE DOES INFORMATION TECHNOLOGY PLAY IN HELPING US ACHIEVE OUR GOALS?

As part of the development of IT strategy, IT's organisational role must be defined. Ask these questions:

- What is technology's role in helping to achieve the organisation's goals?
- How does IT contribute to reaching these goals?
  Sometimes IT thinks it plays a larger role than it does.
  This usually results in frustration for the department, as it is trying to do more than expected often with a correspondingly lower budget aligned to lower expectations. Conversely, IT may have underestimated its role, and executives may be expecting more. In this case, leaders may not have set clear expectations for IT leadership, and, while IT may think it is fulfilling its role, it is lacking in the eyes of the organisation.

For example, in one company the IT director ran a tight ship, keeping his budget low and the systems running smoothly and efficiently. Yet management was not happy with IT's performance. Management thought IT should be coming up with innovative ways to use technology to automate more manual tasks and to expand the company's marketing reach. The IT director thought he was fulfilling his role — managing the technology — when instead the CEO wanted IT to bring innovation and emerging technologies to the company.

The solution will depend on the organisation. Leadership should focus on the role IT is expected to fulfil (the "why"),

rather than the technology (the "what and how"). IT is the technology expert and should be provided leeway to advise and guide the organisation down the right technological path. IT leadership should be able to describe in non-technical terms its strategy for fulfilling its role — the IT strategy.

## WHAT IS THE PLAN TO FULFIL THE INFORMATION TECHNOLOGY TEAM'S ROLE?

Once IT expectations have been defined and the organisation's IT strategy determined, the organisation can evaluate IT-related plans. Because technology is constantly evolving, the IT plan must be periodically reviewed.

At least once a year, ask:

- Are we realising the potential of our current technology investment? Many organisations are not using available functionality in software they own. Neither are they implementing already purchased modules or providing training on existing functionality, which can provide value without large additional cost.
- Where is change needed? This can be lagging change (on-time upgrades or patches) or proactive change (upgrading for new functionality).
- Which new technology enablers can add value? A proactive organisation will monitor emerging technologies and how others in its industry use them. Depending on its desired position, an organisation may

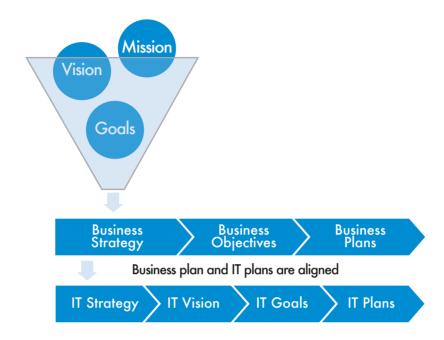


FIGURE 2: RECOMMENDED APPROACH TO DRIVE INFORMATION TECHNOLOGY STRATEGY

schedule initiatives (see the box, "Run-Optimise-Innovate Analysis") in response to new technology.

Twice a year, organisations should ask:

■ Are the planned initiatives showing progress in delivering the targeted value, or do they need to be reevaluated? New initiatives often are evaluated only upon proposal and upon completion. Their value should be monitored during the project and reassessed if needed.

After completing the IT plan and project portfolio, perform the Run-Optimise-Innovate analysis to verify that the spending plan aligns with the IT investment strategy.

## IS OUR INFORMATION TECHNOLOGY INVESTMENT MAPPED TO BUSINESS OUTCOMES?

The IT strategy should drive investments in technology and align that spending with desired business outcomes. This raises the question: *Should IT be run as a cost centre or as a business?* 

With the cost-centre model, IT is more utility, and the focus is on controlling cost. This is often more appropriate for organisations where IT is not a strategic differentiator and is not directly involved in the execution of the organisation's mission. When IT is run as a business, its focus is to provide a return on investment or other strategic value.

"Revenue" can be measured through charge-back or other cost-allocation methods, and the "price" of the service provided by IT can be compared to that of other IT providers to determine cost efficiency and relative cost savings provided by IT. Additionally, when IT supports initiatives that help grow revenue or reduce costs in other departments, it can be credited with part of the value of these initiatives. Focus not only on financial performance but also on value propositions such as risk management, business continuity and achievement of strategic objectives and business outcomes (eg, increased customer satisfaction).

## MAPPING TO BUSINESS OUTCOMES

Four common business outcomes associated with IT initiatives:

- *Improved execution and profitability*. This is the most common outcome associated with IT because IT can help automate processes and create efficiencies to reduce cost.
- Increased employee satisfaction. IT often helps employees to have better work/life balance, increases in-company communication and helps to make a process less cumbersome. All of these can help improve morale and reduce turnover.
- **Reduced enterprise risk.** Whether enabling better workflow management, supporting project management, improving business continuity or increasing the organisation's security posture, IT initiatives can help reduce risk.
- *Increased customer satisfaction*. When IT is used to produce a higher-quality product or to ensure quality service, it can lead to higher customer satisfaction, which increases the potential for referrals.

## **5** ARE WE MANAGING THE RISKS RELATED TO INFORMATION TECHNOLOGY?

Risk assessments are often missing in IT-related discussions. The increasing reliance upon technology for day-to-day operations requires that the assessment of IT-related risk be included in all business plans. IT-related risks should not be discussed solely as technology risks, but rather as business risks: loss of sales, disruption of supply chain, impact to reputation, etc. These can form part of an overall enterprise risk management assessment.

Too often, IT is focused only on minimising risk when instead (as with other risks) IT-related risks should be assessed and mitigated to a level acceptable to the organisation. For example, the acceptable level of risk for a non-mission-critical system, such as the file or print server, may be higher than that of a mission-critical system, such as the e-commerce server.

To aid IT in its understanding of associated business risks, executives and management should help IT understand critical business operations and the implications of a technology-related

failure or disruption. Conversely, IT should help executives and management understand the potential for IT-related risks and the options for mitigating those risks.

## INFORMATION TECHNOLOGY PLAN ELEMENTS

- *Cost.* How much and from what budget?
- **Benefit.** What is the expected value of the project? The financial and non-financial benefits?
- *Risk.* What are the risks associated with the project? Are assessed or affected risks in accord with the organisation's risk tolerance?
- **Resources.** Will the project use internal or external staffing? What are the resource requirements when the project transitions into operations?
- *Term and timing.* Is the project a short- or long-term solution? What is the project timeline? Is there a deadline to ensure value realisation?

### **RUN-OPTIMISE-INNOVATE ANALYSIS**

Another way to analyse an organisation's IT investment is to perform a Run-Optimise-Innovate analysis on an organisation's IT spending. Adapted from international IT research firm Gartner's Run-Grow-Transform analysis, Run-Optimise-Innovate is defined as follows:

- Run. IT spending that "keeps the lights on". These are ongoing costs and required maintenance projects that keep the IT infrastructure and related components operating as needed to support the day-to-day operation of the organisation. This spending is normally treated more like a cost with the objective of managing and reducing spending in this area. However, in times of budget cuts, organisations must be wary of cutting too much Run spending as this may introduce the operational risk of the "lights going out".
- Optimise. Optimise spending is about an organisation getting the most value from its current resources or bringing in additional resources to supplement the way it currently works. Initiatives that seek to improve organisational efficiencies or effectiveness are Optimise initiatives. This spending is normally project-focused and can range from simple application enhancements or a new module implementation, to full-scale new system implementations. It could also be simple process improvement or workflow management initiatives that help reduce the risk of a process failure or provide insight to the flow of work through a

- process and through the organisation. Optimise initiatives may also look at the flow, availability and quality of information in the organisation and seek to improve any of these aspects. Once an Optimise initiative is completed, its associated resources and ongoing support normally shift and are considered part of the Run spending.
- Innovate. Initiatives that enable new organisational capabilities, allow the organisation to deliver new products or services, or fundamentally change the way the organisation operates are all considered Innovate spending. Often also thought of as "research & development", "pilot projects" or "proof of concepts", these initiatives don't necessarily have to be focused on "bleeding edge" technologies, but rather on determining how best to utilise a particular technology or technique to provide value to the organisation. Innovate initiatives generally transition into Optimise initiatives if their business case is validated.

As with any investment portfolio, an organisation's investment in Run, Optimise and Innovate initiatives must be balanced and aligned with the organisation's risk tolerance and the role expected of IT. If an organisation considers itself to be more conservative, we would expect to see a higher ratio of Run to Optimise and Innovate spending. More progressive organisations will have more Optimise spending, and "leading edge" organisations will have more Innovate spending.

#### 6 ARE WE REALISING THE POTENTIAL OF OUR CURRENT APPLICATIONS?

Companies often have technology that they didn't know was available. That's one reason it is important to look internally to see whether the organisation has maximised value from current applications. An example is an operations supervisor who wanted to do more data analysis and said she wanted to buy business intelligence software she saw advertised. As it turned out, the analysis she wanted could be done using PowerPivot, a simple (and free) Excel add-on.

Often users don't know the full capabilities of available applications, and sometimes even IT does not know. With the faster rate of change and availability of upgrades for today's software, sometimes hidden value can be found by simply attending the current demo for a vendor's software or skimming through the support section of its website. This is especially true with cloud applications because vendors roll out upgrades regularly and upgrade users automatically.

If current applications can't supply the needed functionality, then external solutions should be considered, although these usually require bigger budgets and more training and may be higher risk. However, when the technology required is not one that IT is familiar with, external expertise could help reduce risk.

When looking at an internal or external solution, ensure that all stakeholders — IT and end users — are involved. IT can provide insight into how the solution would affect the infrastructure or need for data integration with other systems. End users can provide context for needed functionality and business-process support.

#### 7

#### ARE WE MANAGING THE SERVICE LEVEL PROVIDED TO THE ORGANISATION?

The concept of IT service levels is often discussed when IT is outsourced. It should be an integral part of the discussions between executives, management and IT for all organisations. Even in-house IT is a service provider, and well-defined expectations and objectives should be used to measure performance.

Consider the question: How do you know if IT is performing well or poorly? Without well-defined expectations and service-level objectives (eg, all help desk calls are responded to within one business day), IT itself does not know how it is performing against organisational expectations. Also, different executives and departments may have different expectations of IT.

IT service levels are also tied into the management of ITrelated risks from the previous section. A lower risk tolerance for a system generally comes with a higher service-level expectation for that system.

Management also often expects zero downtime, not understanding what it may take to achieve it. IT can manage those expectations by showing management the technology options that may mitigate the risk of downtime and the associated costs of each.

### 8 HAVE WE PROPERLY BALANCED INTERNAL IT VS. OUTSOURCED IT (INCLUDING CLOUD COMPUTING)?

There are many reasons for and against outsourcing or moving to the cloud. The decision to outsource should be evaluated through several perspectives, including financial, operational, process, risk and strategy. Any of these aspects may provide a driving reason to outsource, or a show-stopper reason not to outsource. For example, the cost savings from moving to a cloud application may be so great that it's a nobrainer to use the cloud application instead of buying additional servers to house the application. On the other hand, a system related to a business strategy to enter into a new market may be so critical that keeping it in-house outweighs the cost savings of the cloud.

Commodity IT services (email, backups and system patching) are good candidates for outsourcing. Non-core IT functions, those that don't provide a competitive differentiator, should also be considered for outsourcing. Moving these standard services to an external service also allows IT to focus on internal service and projects.

Another way to look at outsourcing or cloud options is to move anything that is "back of the house" (eg, the data centre or server and network operations) to an IT service provider. Personal touch points such as the help desk, staff training and other user- or customer-centric services should be kept inhouse.

Consider the following when evaluating alternatives:

- What is IT's role and how do its specific functions support fulfilment of that role?
- What is the best use of in-house IT resources?
- What is the proper balance to best achieve the organisation's business objectives and mission?

As you go through this exercise, remember that IT is biased in this analysis. IT has a tendency to think, "We can do this. Why would we outsource it?" The key question to answer is: How are our IT resources best used, and what tasks are best outsourced?

These questions are designed to facilitate communication between IT and the rest of the organisation. Note that none of the questions is about technology itself, thus the answers and discussions should not be, either. ■

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founder and managing director of Intraprise TechKnowlogies LLC, a Hawaii-based CPA firm focused on organisational development and advisory services for the middle market. He helps organisations by bridging accounting and IT to strengthen organisational governance and risk management, improve business processes through IT and increase the effectiveness of decision-making through business intelligence.







As organisations look to expand in emerging markets, they are increasingly faced with a dilemma. Should they compete for finance managers from the local talent pool? Or should they send somebody from the home office to work abroad? Each has its own set of unique challenges and benefits. CGMA road warriors offer their insights.

#### BY SABINE VOLLMER

our years ago, JCB had a problem. The British manufacturer of construction equipment was trying to capitalise on rampant growth in India, where a building boom had boosted demand for the kinds of excavators, loaders and cranes the company makes.

The market dynamics had helped JCB India become the parent company's biggest foreign operation. Its team of engineers in India was strong, buoyed by the nation's deep pool of talent in that field. But the recruitment of senior finance talent had proved difficult; the subsidiary was struggling to find its next assistant vice president of finance.

So the company, which prefers to hire locally, turned to a

senior financial controller in its UK office. Mark Bevan, FCMA, CGMA, became the first foreign assignment in the India subsidiary's finance function — and one of only a dozen amongst the subsidiary's 5,000 employees. What he lacked in local knowledge he made up for with company knowledge, which is what the company needed at the time. "My knowledge transferability was high," he said.

As companies expand into emerging markets, they face a choice: compete for finance managers from the local talent pool or send somebody from the home office to work abroad. Each has its own set of unique challenges and benefits. But organisations, for better or worse, often end up choosing candidates

they think will take less time to adjust.

"They're looking for high-performance candidates, and they expect this person to perform on day one," not somebody who has a high potential and eventually could be a great employee, said David Wu, CPA, CGMA, general manager and managing director of executive search firm GMP Talent in Shanghai.

And therein lies the dilemma.

Competition for trained finance professionals in emerging markets is fierce. About one-third of employers reported difficulties in filling jobs in 2013, according to staffing agency Manpower. The problem was more acute in emerging markets: 51% of employers in Asia-Pacific and 68% of employers in Brazil reported talent shortages. Accounting and finance were among the five positions most difficult to fill worldwide. The top three reasons for the recruitment problems: lack of hard skills, lack of available applicants and lack of experience.

"Everybody is ramping up," said Nilly Essaides, director of practitioner content development at the Association for Financial Professionals. Essaides regularly talks to CFOs, finance directors, treasurers and heads of financial planning and analysis at multinationals based in North America and Europe. They tell her that talent demands from multinationals' new or growing overseas operations are tightening the already short supply of finance professionals in emerging markets.

That presents opportunities for people who want to raise their profile within an organisation — and for organisations that want to develop high-potential employees. Senior-level finance positions often require knowledge of the company and its culture, things that even the best local talent can lack.

Those who are sent on foreign assignments, however, often struggle with new languages and business cultures, which can cause misunderstandings, anxiety, delays and even family problems. The problems are magnified in emerging markets, where the failure rate of foreign assignments tends to be higher. Indeed, while only 5% of all foreign assignments fail, the failure rate is higher in countries such as China (27% failure rate), India (14%) and Russia (7%), according to research by Brookfield Global Relocation Services.

#### "IMMEDIATELY ABLE TO HELP"

Mark Bevan's is a success story. He had been with JCB for six years in various finance roles before he was sent to India. A lot of his early work included resolving intracompany issues. Having relationships within the company — understanding whom to contact for information or who needed to be involved in a decision — proved vital. He was also familiar with JCB systems and processes, having worked in service and manufacturing divisions.

"I was immediately able to help with communication, with understanding the JCB business in a financial context," he said. "... Anybody locally recruited, and to some extent locally developed, wouldn't have that knowledge."

Once on the ground, he was able to help translate idiosyn-

crasies of Indian business and finance for his counterparts in the UK. Explaining the complexities of Indian banking regulations, for instance, was one way he was valuable early on. "It sounds like a simple, straightforward thing, but having somebody who understands both sides helps that education," Bevan said

Not every company has the resources or willingness to send an employee on a foreign assignment. Difficulties with taxes, social security and payroll compliance topped the list of foreign assignment problems, followed by security concerns, immigration issues, lack of suitable housing and costly compensation incentives, a 2013 EY survey found.

But faced with the choice of trying to recruit the perfect local candidate or sending a rising star from the home office, multinationals are increasingly choosing the foreign assignment. Of 600 companies worldwide polled by KPMG in 2013, 44% planned to use expatriates somewhat or considerably more in the next five years.

India was Bevan's first foreign assignment after joining JCB about 11 years ago. The equipment manufacturer has been gradually expanding its Indian subsidiary for more than three decades. One of the main reasons he was selected for the role: He simply expressed the desire to go. "I asked if there were opportunities abroad with the company," Bevan said, adding that he made clear that he was interested in career development and exposure to an emerging market.

#### **OVERSEAS AND OFFSHORE**

Thomas Sloan, CPA, CGMA, has worked overseas for about ten years, including one year in the United Arab Emirates and four years in Angola. His most recent foreign assignment was from 2008 until 2012 in Brazil, where he was finance director at two offshore drilling companies.

Sloan has worked in the oil and gas industry since 1995, first for Amoco, then BP. He knew when he joined the oil









# TAKING YOUR CAREER GL@BAL

International assignments can pose great career opportunities, not to mention some challenges along the way – particularly in emerging markets. Here's a glance at international assignments, based on 2013 reports from Brookfield Global Relocation Services, EY and KPMG.











#### CAREER

#### MAIN OBJECTIVES FOR INTERNATIONAL ASSIGNMENTS

→ Filling a managerial skills gap → Filling a technical skills gap → Building international management expertise/career development >> Launching new endeavours >> Technology transfer

#### **CANDIDATE COMPETENCIES** ASSESSED DURING SELECTION

- Flexibility/adaptability (88%).
- Technical skills (88%).
- Leadership skills (81%).
- Cross-cultural communication (63%).
- Family suitability (50%).



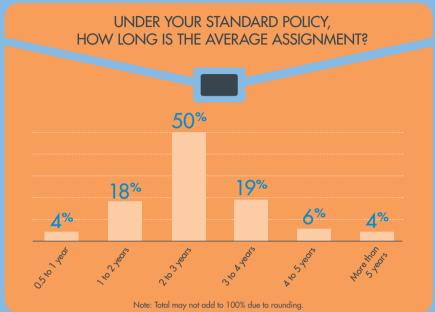
#### TOP CRITERIA FOR SELECTING INTERNATIONAL ASSIGNEES

- 83% were high-potential employees.
- 70% previously expressed a willingness to go on international assignments.
- 57% had rare skills.
- 30% had a previous international assignment.
- 17% had cultural ability or skills.

#### CAREER IMPACT OF INTERNATIONAL **ASSIGNMENT ON ASSIGNEES** of employees employers more often said assignments led to GRU 38% finding new positions at their company more easily saw faster promotions.

#### A S S I G NM E N T L E N G T H



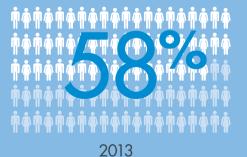


#### TALLENT

COMPANIES WITH GLOBAL TALENT MANAGEMENT AGENDAS



2012



54%

of companies reported an increase in the number of international assignees.

47%

of companies increased staff in growth markets.

23%

of international assignees were female.

#### FAMILY

TOP REASONS FOR TURNING DOWN ASSIGNMENTS



Family concerns (35%).



Inadequate compensation (18%).



Spouse's career (17%).



Assignment didn't meet employee career aspirations (11%).



Quality of life at the location (8%).

#### TOP "VERY CRITICAL" FAMILY CHALLENGES

Spouse/partner resistance to international relocation.

Family adjustment.

Children's education.

Spouse/partner career.

65% of international

assignees were married.

43% had children who accompanied them

accompanied them during an assignment.

79%

• •

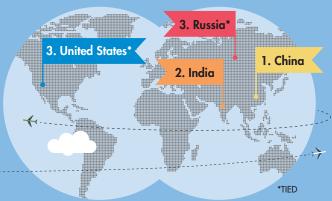
were accompanied by their partner.

#### CHALLENGES

#### MOST CHALLENGING LOCATIONS FOR INTERNATIONAL ASSIGNEES

#### LOCATIONS WITH THE HIGHEST RATE OF ASSIGNMENT FAILURE

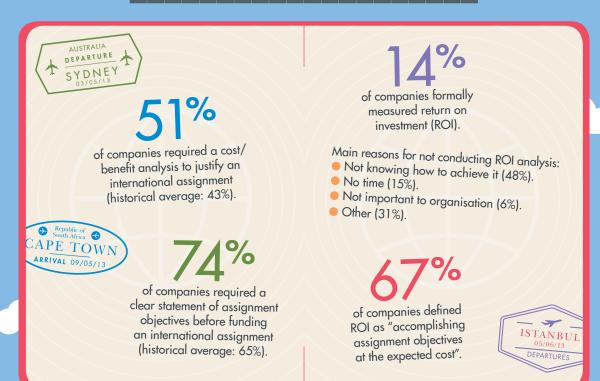




#### TOP CAUSES FOR FOREIGN ASSIGNMENT FAILURE

Employee leaves to work for another company Spouse/partner dissatisfaction
Inability to adapt Inadequate job performance

#### RETURN ON INVESTMENT



Sources: Brookfield, Global Relocation Trends, 2013 Survey Report; EY, Your Talent in Motion: Global Mobility Effectiveness Survey 2013; KPMG, Global Assignment Policies and Practices, Survey 2013. and gas industry that foreign assignments would be a crucial part of his career, because drilling locations and often finance centres are overseas.

In 2007, he was recruited by Pride International, which had a finance centre in Macaé, a coastal city about two hours northeast of Rio de Janeiro.

"Pride International happened to be looking for someone to lead finance operations in Brazil," Sloan said. "I got a call, went through a series of interviews, liked what I saw. They liked what they saw, and we decided to pursue it."

Attracting and retaining qualified accountants in Macaé was one of the biggest challenges, Sloan said. There just weren't enough of them, especially with experience in the oil industry. To entice somebody to leave the amenities and city life of Rio de Janeiro or Saó Paulo, where the Big Four have offices, and move to Macaé "was very difficult and costly," Sloan said. "That's why my assignment came to be. If [Pride] could've found a suitably qualified accountant in Brazil at the time, they would've hired that person over me."

#### THE BEST OF BOTH WORLDS

British drugmaker AstraZeneca recruited Jasmine Zhong, FCMA, CGMA, to help establish and build its Chinese operations.

Zhong was born and raised in China, studied in China and the US and was working for Deloitte in Atlanta when AstraZeneca recruited her in 2005.

She went to the US early in her career to pursue an MBA and to get more exposure to management and leadership, Zhong said. But the majority of her extended family is in China. She and her husband, who works in IT, also thought that China promised better career opportunities. So they returned to China.

Zhong has progressed well since then. In 2011, she advanced to her current position as vice president and CFO of the drugmaker's business in China, where she oversees a full scope of finance functions of a business that generated \$1.8 billion in revenue last year, including tax, purchasing, financial planning, business finance and financial controlling.

As a member of the senior leadership team, she plays a critical role in planning and executing the company's growth and investment strategy.

Zhong represents the best of two worlds for recruiters. She is fluent in Chinese and English, at home in the ways and idiosyncrasies of Chinese culture and educated in Western business management and leadership styles.

People who fit that profile are in high demand and short supply. "They are cultural chameleons," said Greg Scileppi, president of international staffing operations for Robert Half International. Those who have experience working for Western multinationals or are fluent in International Financial Reporting Standards and US generally accepted ac-



Jasmine Zhong, FCMA, CGMA, vice president and CFO for AstraZeneca China

counting principles are extremely prized.

But expectations are high, too. An AstraZeneca expat from corporate headquarters would have had a tougher time doing Zhong's job in China.

Language and cultural competencies are essential to communicate with Chinese governmental agencies such as the tax agency or the commerce department. "You need to be able to have some direct interactions to understand the policies and framework," she said.

#### THE DEVELOPING TALENT POOL

The talent pool in China has improved considerably in the time Zhong has been back in the country. China's economy expanded rapidly following 2001, the year China became a member of the World Trade Organization. That brought an increasing number of multinationals to the country, but also Western universities that established satellite campuses in Asia. With more opportunities to learn Western-style business management and leadership close to home, the domestic talent pool has gotten deeper and broader, Zhong said.

AstraZeneca's China workforce reflects that, having a locally oriented workforce. "That being said, to find the right [finance talent for senior positions] is still not easy," she said. "It's still difficult to find a combination of strong technical skills and good people management, communication and leadership skills."

Bevan, who has finished his assignment and is back in the UK, said the local finance professionals he dealt with in India were usually specialists in particular areas of accounting, such as tax, auditing or compliance. Bevan thinks his analytical skills, business knowledge, decision-making abilities and understanding of the whole business gave him an edge.

"I had a much broader approach to the way I work," he said. "I don't just work in finance. I work across the board."

# "They're looking for high-performance candidates, and they expect this person to perform on day one." — David Wu, CPA, CGMA GMP Talent

#### EMPLOYER VIEW: SIX TIPS FOR A SUCCESSFUL INTERNATIONAL ASSIGNMENT

Assignments to emerging economies can be particularly challenging. Indeed, research by Brookfield Global Relocation Services found that China, Brazil, India and Russia (the BRIC countries) are among the most challenging locations. Inability to adapt to the culture, family problems and quality-of-life concerns were common reasons for failure of foreign assignments to BRIC countries.

Housing, medical facilities and education options may be limited, power and water supply may be unreliable, transportation may be difficult, and cultural and language barriers may be significant.

To increase the likelihood that an assignment to an emerging market is successful, even with an expatriate who has family, Brookfield and its interviewees offer the following suggestions for employers:

Family: Family concerns account for more than one-third of foreign-assignment refusals, according to Brookfield. To make foreign assignments to challenging locations attractive, the oil and gas industry offers expats shorterterm stays, which allow for frequent home visits, or family housing in a city close enough that expats can visit their families on weekends. Companies that do not routinely assign employees to challenging overseas locations could provide boarding school options for assignees' children and arrange volunteer activities and transportation for spouses. Extra cultural and language training can also help spouses or partners assimilate somewhat into the host culture (see "Foreign Assignment: A Family Survival Guide").

Immigration: In emerging economies, immigration rules can change suddenly without notice, local practices may differ from national practices, and immigration officials may solicit bribes from companies. To deal with these challenges, companies should find knowledgeable local immigration partners and establish a relationship, allow enough time for requests to be processed and educate business units about work permit requirements and compliance issues. Companies should also clearly state their position concerning bribery and corruption.

Premiums and allowances: Companies generally offer foreign service and hardship premiums to assignees in developing countries. Some companies customise premiums and incentives to how difficult it is to live in a particular overseas location. That may even include free meals. Restand-relaxation leave is standard for assignees in developing countries. So are cost-of-living adjustments.

Housing: In locations where expatriate-style housing is limited or non-existent, companies may need to build their own housing compounds, especially for assignees with families, or shorten the duration of assignments to be able to offer less-sophisticated housing to assignees willing to leave family at home. Barracks-style housing may be sufficient for expatriates who are single. To improve the reliability of home maintenance and utility service in emerging markets, companies need to partner with local service providers to establish a good relationship.

Recruiting and retention: Establish individual career development and training plans that outline the strengths and personal ambitions of finance talent but also skills they may still need, such as better language competencies. Set up a peer interviewing process that includes the chief executive, especially to select new hires for senior finance positions. Set up a recruiting team of local people within HR as an internal network to identify job candidates and better understand candidates' education, certificates and training.

Repatriation: Employees returning to a company after a couple of years away could find themselves with a new line manager, co-workers and IT systems. In fact, 16% of assignees left their companies within the first two years of returning home, according to EY. Therefore, planning the reintegration process is important to help them readjust. Repatriation discussions should occur at least six months in advance of the assignee's return, Brookfield suggests.

-Sabine Vollmer

#### FOREIGN ASSIGNMENT: A FAMILY SURVIVAL GUIDE

foreign assignment can be one of the most tumultuous developments a family encounters.

The company often expects long hours and big results from the expat, so the work-related stress level can be high. Meanwhile, the employee's spouse and children often are trying to adjust to being away from family and friends in an unfamiliar culture with a language they don't speak or understand.

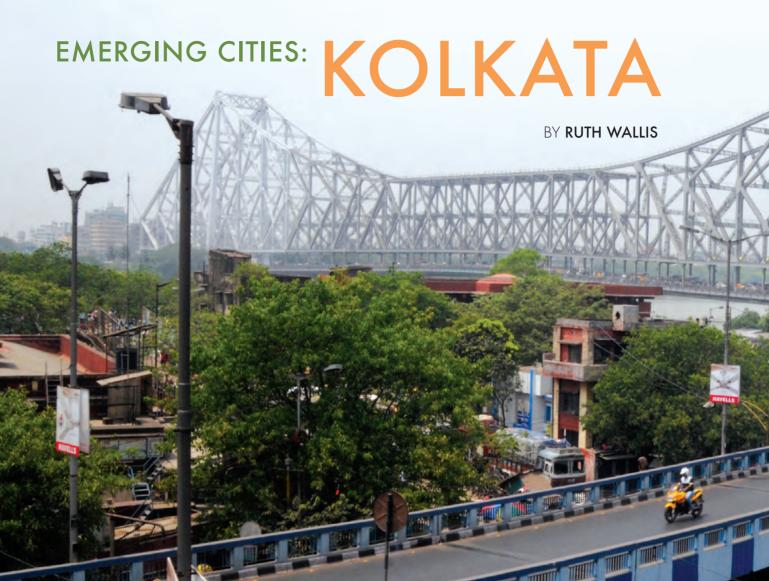
Family concerns are the main reason candidates turn down foreign assignments, according to Brookfield Global Relocation Services. Almost two-thirds (65%) of assignees are married, and 43% are accompanied by children when they go, so plenty of workers do successfully take families on cross-border assignments.

Doug Bonthrone, FCMA, CGMA, a veteran of 14 years of foreign assignments who recently retired from a senior finance position with the Coca-Cola Co., reflected on assignments in South Africa, Egypt, Russia, Hong Kong and Germany. He and his wife, Fiona, shared the tips that helped keep their family strong while on assignment:

- Get agreement from your partner before accepting the assignment. Some families agree to concentrate on one partner's career for one foreign assignment or for a predetermined number of years, with the understanding that when that term is done, the family will focus on what's best for the other person's career. It's important for these kinds of agreements to be made in advance. "You don't want one partner resenting the other for having made the move," Bonthrone said.
- Learn the cultural norms. The assignee and the family need to be taught basic cultural expectations. Is it appropriate to bow in a certain way when you meet someone in East Asia? Is a certain style of dress required, particularly in Middle Eastern societies? The company should help educate the employee, the employee's partner and the children on important customs such as these.

- Embrace and enjoy the local flavour. Families that insulate themselves in all-expat neighbourhoods or housing miss an opportunity. Bonthrone enjoyed living in areas only partly occupied by expats so the family had some support from neighbours who had similar backgrounds, but they also could learn from neighbours who were native to where they were staying.
- Utilise expat-tailored schools. Despite a desire to assimilate, sending children to local schools can be a mistake, Bonthrone said. Because foreign assignments often last just a few years, by the time the children learn the language enough to succeed in school, they may be moving to another country with another language. Taking advantage of schools with curricula developed for expats makes more sense.
- **Be patient.** This is especially important for non-working partners on foreign assignment. It may take a while for them to get their bearings. A grocery shopping trip that might be finished in an hour at a US or British supermarket might take most of the day in a place where much smaller markets are the norm.
- Join a local expats' club and heed advice. When in Hong Kong, a friend at the American Women's Association told the Bonthrones that they needed to hire an "amah" a domestic housekeeper. They were reluctant but were persuaded when they learned it would be nearly impossible to find a baby-sitter if they didn't hire an amah. "Don't come in and impose your own norm," Bonthrone said.
- Consider medical choices. Find a doctor and emergency services in advance. You don't want to be trying to sort this out in a foreign language when there's a panic.

-Ken Tysiac





olkata, the financial hub of East India that suffered from de-industrialisation in the 1970s, has enjoyed a comeback in recent years.

PwC expects Kolkata's GDP to nearly triple by 2025. By that same year, the metropolitan area's population is predicted to grow to 20.6 million

of about 14.1 million is predicted to grow to 20.6 million.

A well-educated talent pool and booming  $\Gamma\Gamma$  sector are contributing to the growth.

"The government is laying greater emphasis to create a sustainable environment for the development of micro, small and medium enterprises in food processing, textiles and apparel, leather and handicrafts, and the tourism sectors," says Debasish Biswas, the Chartered Institute of Management Accountants' chief representative in India.

#### **MARKET COSTS**

- Corporate tax: Basic rate of 30% for domestic companies and a basic rate of 40% for foreign companies. Many Indian municipalities offer tax incentives, but Kolkata offers only a few.
- Minimum wage: Indian state governments set separate minimum wages, which vary by sector. The daily minimum wage in West Bengal varies from INR 150 (about \$2.50) for unskilled cinema workers to INR 7,708 (\$130) for chartered accountants.
- Office rent: Space in Kolkata's central business district costs about INR 120 (\$2) per square foot per month.
- Industrial rent: Average rental rates in the region's main warehousing hub are about INR 16 (\$0.27) per square foot per month.



#### **EASE OF USE**

The World Bank's *Doing Business 2014* report ranked India 134th out of 189 economies.

- Average time required to start a business: 27 days. The Organisation for Economic Co-operation and Development average is 12 days.
- Construction permits: India ranks 182nd. The process takes an average of 168 days.
- Securing electricity: India is ranked 111th. It takes an average of 67 days to establish a permanent electricity connection.
- Trading across borders: India is ranked 132nd. It takes an average of 16 days to export goods and about 20 days to import goods.
- Transparency International corruption index: India is ranked 94th out of 182 countries.

#### ON THE GROUND

Tirtha Chakravarti, ACMA, CGMA, founder and director of SAPGenie Consultants, and Purusottam Sen, ACMA, CGMA, professor of finance and control at the Indian Institute of Management, offered these tips for doing business in Kolkata:

- Try to have a physical presence in Kolkata. Otherwise, the gap in communication can be difficult.
- Kolkata is very bureaucratic; there is a labyrinth of rules and regulations. Employ the services of a local partner or adviser.
- If possible, locate the business in a new industry park, such as Salt Lake Sector V or New Town. These have the necessary infrastructure to support developing businesses.
- Displays of affection and inappropriate attire are frowned upon. Try to remain conservative. ■



MGM Resorts International's struggles during the economic crisis were exacerbated by its resorts' lack of a unified mission, vision and operations. **Corey Sanders**, **CPA**, **CGMA**, was tasked with uniting the properties under a common corporate umbrella.

BY KEN TYSIAC

he old way of doing business wasn't working for MGM Resorts International.

After growing rapidly through acquisitions during the early and mid-2000s, the hospitality company was a loosely connected group of resorts and properties when the recession of 2008 hit, with no common vision or strategy. The company's revenue per available room at its Las Vegas strip resorts fell from \$154 in 2007 to \$96 in 2010 as the economic crisis took a heavy toll on the tourism industry.

Company veteran Corey Sanders, CPA, CGMA, was promoted to COO by Jim Murren, who moved from his CFO position to chairman and CEO in December 2008. Murren immediately began an extensive reorganisation of the company and placed Sanders in charge of many key components.

Las Vegas — where 15 of MGM's 20 wholly owned properties are located — is a prime tourism and business destination in the United States whose initial growth following World War II was fuelled by the early adoption of legalised gambling. Today, it is a complicated, competitive business market where glitzy resorts rise out of the desert to welcome 40 million visitors a year.

Competition reigned and co-operation was minimal when MGM began acquiring competing Las Vegas properties to build its portfolio. There was little emphasis on executing a company-wide plan. Sanders's job was to help fix this problem and unite the properties under the corporate umbrella. The presidents of each of the individual properties report to Sanders, and the operations areas he oversees include



advertising, hotel sales, human resources, IT, retail, strategic operations and strategic sourcing.

"One of the first things we did was say, 'Look, the world has changed a lot,' "Sanders said. "'The power of MGM as a whole compared to these pieces is much greater. Let's organise this company to be able to not only get through the recession but to line it up for the future growth.'"

He began the reorganisation with an analysis to identify the strengths, weaknesses, opportunities and threats of the company. MGM declared a mission statement: "To entertain, engage, and inspire our guests and ourselves."

The company articulated a vision to be the pre-eminent entertainment and hospitality company, with core values of teamwork, integrity and excellence. And it began engaging in organisation-wide strategic planning.

The stakes were high. The number of visitors to Las Vegas fell from 39.2 million in 2007 to 37.3 million in 2010, according to statistics from the Las Vegas Convention and Visitors Authority. Although the number of room nights stayed in 2010 was just 1.4% lower than in 2007, the number of rooms available in the city grew 12% to 148,935.

The increased supply and the lower demand resulted in a price war to attract tourists who were still travelling. The average room rate plummeted 28% to \$94.91 from 2007 to 2010. Meanwhile, gaming revenue on the Las Vegas strip fell from \$6.8 billion in 2007 to \$5.8 billion in 2010. MGM's company-wide net gaming revenue dropped from \$3.2 billion to \$2.4 billion during that period.

#### FIVE KEYS FOR SUCCESSFUL STRATEGIC PLANNING

A lack of robust strategic planning is not unusual. In a 2013 survey, 44% of CGMA designation holders said their organisation did not spend enough time on strategic planning. MGM Resorts International COO Corey Sanders, CPA, CGMA, created a strategic planning process geared toward aligning the company's various properties with common goals. Here are his five keys for strategic planning:

Follow the SWOT. The strategies need to address the company's strengths, weaknesses, opportunities and threats.

Opportunities and threats are the biggest areas of focus for MGM. But ensuring that the company's strengths continue to provide competitive differentiation (eg, through ongoing investments in amenities, upgrades and new venues) also is key.

- Keep it simple. The number of strategies should be minimised. "If you have any more than five or six, it's very hard to stay focused," Sanders said.
- Make the strategies measurable. It is difficult to gauge progress without measurable data. "You have to constantly look at how you're doing and provide feedback," Sanders said. Guest service feedback is a key measurable at MGM Resorts. Based on these metrics, high-performing teams are identified and receive rewards. Their best practices are replicated throughout the company.
- Align operations and management to the strategy. "Those are their goals for the year," Sanders said. Having executives develop their own tactics to accomplish the strategies can create motivation and so can tying their bonuses to how well they meet those goals.
- Be flexible. If the strategy is not working or conditions change, there has to be an allowance for the strategy to change, Sanders said.

#### **ELIMINATING INEFFICIENCIES**

One of the best ways to succeed in such a competitive environment is to differentiate yourself from the competition. MGM's 15 Las Vegas resorts had come together through acquisitions. The MGM Grand merged with Mirage Resorts in 2000, and the company acquired the Mandalay Bay Group in 2005. It was rebranded in 2010 from MGM Mirage to MGM Resorts International.

Despite being part of the same company, there was a desire for each of MGM's properties to retain the individual character that makes them unique. In Las Vegas, guests often travel, for example, to the elegant MGM Grand for luxury and entertainment at the largest hotel in the United States; the Mandalay Bay for its child-friendly aquarium, wave pool, lazy river, and beach; and Circus Circus for the indoor theme park.

The resorts occupied different niches and had different cultures, and the economy was so good that they profited despite the inefficiency inherent in operating with a variety of systems and processes for sourcing, purchasing, human resources, talent development and recruitment. It was easy to profit when 94% of the rooms in Las Vegas were occupied and visitors had plenty of money to gamble before the recession.

But the recession forced the company to examine inefficiencies, including the disparate operating systems. Sanders sought to bring these together while allowing the properties to retain the culture and atmosphere that made them individually attractive to their customers.

"Our new chairman [Murren] came in, and he decided that the multi-company culture did not work," Sanders said. "It was not in the best interest of the shareholders. We are in a recession, and we've got to stop fighting with each other and competing against each other. And how do we compete as a company?"

#### **ESTABLISHING THE MISSION**

MGM's first efforts at an enterprise-wide strategic plan occurred during a difficult time. Falling revenue during the recession resulted in painful decisions for MGM Resorts, as cost reduction measures included cutting about 20% of the workforce.

Meanwhile, debt arising from an \$8.5 billion investment into a three-resort CityCenter development on the Las Vegas strip helped lead to a company going-concern warning in its 2008 annual report and required painstaking discussions with creditors to keep the company afloat. The business also was undergoing a fundamental shift, particularly in Las Vegas.

The growth of gambling opportunities in other locations across the United States meant that tourists no longer needed to travel to Las Vegas to play slot machines, spin the roulette wheel or get another card from the blackjack dealer. Further changes in customer preferences have also contributed to the business shift. Gaming accounted for more than 55% of MGM's revenue when Sanders joined the company in 1994 as

director of tax for MGM Grand. In 2013, about 39% of the revenues at MGM's wholly owned resorts came from gaming as MGM has responded by growing its food and beverage, retail and entertainment event offerings, creating more diversified revenue.

MGM's strategy (see "Five Keys for Successful Strategic Planning") needed to reflect these changes and also incorporate the company's newly articulated mission — to engage, entertain and inspire — and its vision to be the recognised global leader in entertainment and hospitality. The company would seek to develop consistency in service, accountability and leadership in what was branded as a "One Company Culture."

Excellent service is key for any hospitality company. MGM Resorts developed and trademarked in 2013 seven pillars of service: standards, goals, measurement, communication, training, recognition and accountability.

Each property can set its own goals, accountabilities, rewards and training to fulfil those principles, but building upon that foundation is required.

#### **BUILDING EMPLOYEE ENGAGEMENT**

Employee performance is essential to providing excellent service. So training and development initiatives have been a key focus area for the company:

- A daylong, experiential corporate orientation called "Navigating Our World" introduces new employees to the One Company concept and the seven pillars of service. Previously, corporate orientation was shorter in duration and less comprehensive. At an additional orientation at the resort they join, new employees learn how the principles are put into place at their location and in their position.
- Additional training and development is offered through the company's MGM University, which employs 27 fulltime training professionals and on-call staff for employee development. Classes are provided to develop skills such as computer proficiency, communication and public speaking, and management training.
- An intensive programme of professional development is offered to a select group of top talent to cultivate executive leadership.

At a basic level, some actions are absolutely required on every property. "You are going to smile," Sanders said. "You are going to say the guest's name. You are really going to show interest [in the guest]. ... You're going to talk about all of the service amenities of your property and the corporation. That was the corporate umbrella."

The company monitors its progress closely, and not just through the financial results. MGM emails surveys to customers and tracks the results. The company also monitors social media channels, particularly travel-oriented TripAdvisor

and business review-oriented Yelp, to watch for potential negative feedback from customers.

Social media teams at corporate headquarters and the individual resorts respond to customer feedback and engage the appropriate personnel to address complaints.

Improving service through standardised employee development was the most important part of the strategic planning process, but it wasn't the only one. The company consolidated marketing functions, standardised recruiting and created uniform job classifications to assist in transferability. The company also unified and expanded its customer loyalty programme.

Sanders said the company takes a scoreboard/dashboard approach to its key

metrics, focusing on:

The company

articulated a

vision to be the

pre-eminent

entertainment and

hospitality company,

with core values of

teamwork, integrity

and excellence.

- Market share and revenue.
- Operating costs.
- Employee teamwork and engagement (measured through employee opinion scores, turnover, retention and recruitment indicators).
- Reputational barometers, as measured by stakeholder relations in established markets and markets the company is being invited to enter.

The strategy seems to be working. MGM Resorts International grew revenues 7% and EBITDA was up 18% in 2013. The company experienced growth in revenues for its casino, hotel room, and food/beverage operations that significantly outpaced its growth in operating expenses in those areas from 2011 to 2013. The company's expansion into China (as a 51% shareholder of MGM China) also has delivered results, including dividends announced in early 2014 that brought MGM Resorts International approximately \$320 million. MGM is poised to start work on a resort at National Harbor in Maryland and another, if approved, in Springfield, Massachusetts. And MGM's stock price in late April was \$25.23 — almost triple the \$8.79 it sank to shortly before Murren became CEO.

"We think these results are a reflection of good operating management and the employee dedication that we have to executing on our company's goals, both for revenue and for cost containment," Murren said during a conference call to discuss MGM's fourth-quarter 2013 results. "And ... we have significant operating leverage in the recovering economy."

# SIX TIPS FOR USING EXISTING



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## DATA MORE WISELY

BY BRETT KNOWLES



rganisations are collecting more data than ever before and processing them in new ways in an effort to improve their businesses. But often they are not using the data in the right way — if they are using them at all.

Eighty-seven per cent of finance professionals said Big Data holds the

potential to change the way business is done, according to the CGMA report From Insight to Impact: Unlocking Opportunities in Big Data. But 86% of those surveyed said their businesses struggle to get valuable information from the data they have. Hurdles to maximising data's value include organisational silos, challenges related to data quality and an inability to work with unfamiliar, non-financial data.

Here are six ways to make sure you are collecting the right data and making the most of the data you already possess:

Consider the broad indicator over the precise measurement. There are many indicators that show us general trends happening in our organisations. But often, organisations spend lots of time and money drilling down too deep into a problem when such drilling isn't really necessary. Ask yourself: Do you really need to measure it down to the fifth decimal? Or will a more general indicator suffice?

Take employee satisfaction, for example. Does your company need detailed measurements of pay and benefits compared with those of the competition? Does it need to deeply analyse promotion opportunities offered, or the culture inside the organisation, or how good the boss is at motivating and inspiring people — or even the office and business environment itself? You can measure and analyse each of those things, but that could be very expensive.

Instead, you could use a broad indicator such as absenteeism. Generally, if a company sees abnormal spikes in absenteeism, it's a sign of dissatisfaction. From there, you can dig deeper. It may not be because of any one of the factors listed above; it may, in fact, be something as small as a lack of parking. The benefit of that indicator is that it doesn't try to

explain what's wrong in your organisation.

In this case, absenteeism is like the "check engine" warning light on the dashboards of many automobiles. It doesn't tell you exactly what's wrong, but it tells you that something is wrong and that you should have it checked out. High absenteeism is a good starting-point indicator — one that might prompt an organisation to more deeply examine salaries, culture, managers and so on by doing focus group work and surveys. The best part: Absenteeism data are free.

The data that you gather often need to be received more quickly than the impacts and the stresses facing your organisation. Data are often more valuable to you if they are received faster than if they are precisely accurate.

Consider the fast-food drive-through. The cycle time through the drive-through is about three minutes, which means data have to be replenished faster than once every three minutes to be useful to the operations people in that part of the business. On the other hand, the supply chain might work on, say, a one-week cycle. Therefore, the data don't have to be as fast. Supply-chain managers don't need to know what's happening every minute, but they certainly need to know what's happening every day or every couple of days, whereas setting up a new store location might take a year. The data those managers need have a less frequent drumbeat.

So, even inside the same organisation, you may have different needs for how fast the data must be. But the point is that data need to be arriving ahead of the stresses and the risks that your organisation faces.

Make sure leadership is aligned with strategic priorities and sees the same activities the same way.

We need a way to establish the most important things we should be looking for and score our performance accordingly. Imagine, for example, your strategy is focused on growth by entering new markets. When you take a look at performance of activities — such as sales into new market areas or the number of new customers you've been able to attract outside

of your existing areas – those data should have more value than measures that would be important under a different strategy. Determine your focus based on your organisation's strategy; this will determine whether you look at measures such as the number of customers buying multiple products or the number of repeat customers. Depending on the strategy, consider different measures to ensure alignment on how you look at your organisation's performance.

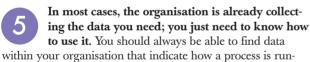
In a multi-location business, however, this can be a challenge because you might have one newly established business unit that is growing into the market and another unit that has been there for a long time, and in that business unit, they're looking for share of wallet. So, you can even have different strategies inside the same corporate entity. You should have visual triggers when leadership's looking at the data, so they know when they're stepping over the line from a penetration strategy to a share-of-wallet strategy.



Once you've determined what the right measures are, be prepared for them to change as your organisation does. Measures can't remain the

same over time.

Think of something like a new product development cycle. In the early part of that cycle – the product idea creation you might be looking at things like the number of product ideas. During the next phase, you'll look for product development indicators such as the time from idea to first prototype. The next phase might be product testing, where the measure needs to change to, say, an approval rating from a beta test audience. Finally, during product launch, you might look at sales per month.



ning, whether you're looking at the inputs, the transformation activities or the outputs.

The main benefit of using available data is that it doesn't add costs to your organisation. You don't need more people to gather the information because you're already gathering it. You don't need more people to process the information because you're already processing it.

Secondly, it allows you to get your scorecard and dashboard set up very quickly. You're not held ransom for data. In some cases, the signal strength of those data might not be as strong as you would like. The quality of data you need depends on the type of decision at issue. You do not need Six Sigma accuracy for all decisions. For instance, the data you need to extend a marketing programme for a month can be less accurate than the data required to terminate an employee or close an office.

Using information that already exists creates higher owner-

ship faster. You'll gain much more acceptance when you begin using indicators that people in the organisation already know and respect rather than those you have imposed on them.

And because you're using existing data, your net training cost is significantly lower.

So, it's often faster, cheaper and better to start with broad indicators. From there, you can determine whether to investigate further, and, if so, where - and how deeply - to probe next.

Present the right data in the right way to the right people. Think of an organisation as an airplane that needs to see the business world around it at various heights - from 30,000 feet to ground level. Each altitude level needs its own form of information presentation.

Senior management wants to cruise along at that 30,000foot information altitude, mostly just seeing Big Data landscape features: the information equivalent of a mountain range, an ocean or a city. However, the data should be comprehensive enough for management to spot any digital puffs of smoke coming from fires that need to be put out. A Balanced Scorecard with performance indicators, trends and information on the data's strategic importance would be the best tool here. If any one indicator is performing below expectations, management needs to dive into it to understand what's causing the problem.

Once a problem is identified, data presenters and their software must be nimble enough to zoom in to provide a closer look for the appropriate managers. When a problem is spotted, management will want to drop down to 20,000 feet. At this point, the data presenters need to narrow the scope of information and begin providing some operational tools, such as flow charts, to gain an understanding of what's happening.

Next, data presenters must be able to descend to 10,000 feet and provide diagnostic tools so managers can become more directional in their behaviour. This isn't meant to be eye candy. It should be a detailed, data-intensive dashboard that provides comprehensive information designed to help managers at a tactical level.

Finally, at ground level, organisations need analytic tools so management can become prescriptive. These are the spreadsheets and grids that display all forms of detailed data used to assess how the organisation is performing individual tasks.

There's a parallel between the levels of the organisation. In a good organisation, the leadership team should be able to pass this information to the next level down and so forth.

Brett Knowles (brett@pm2.ca) is the executive partner of pm2, a performance management consulting company based in Canada. He has assisted more than 3,000 organisations around the world.







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### 5

#### MINUTES WITH: SHALINI JODHAN



CV: Jodhan, ACMA, CGMA, is the local business controller at Nestlé Caribbean, a subsidiary of the Swiss food and beverage multinational. The Trinidad and Tobago native started her career at Nestlé as a business analyst nine years ago, shortly after earning a finance degree in the US in 2003.

#### BY **SABINE VOLLMER**

halini Jodhan, ACMA, CGMA, is familiar with the challenges companies can encounter doing business in the Caribbean: lower-priced smuggled goods from as far away as Malaysia; small markets that are spread out, isolated and different; sudden increases in demand ahead of hurricanes; and extremely price-conscious consumers.

As the local business controller for Nestlé Caribbean, Jodhan must incorporate these risks and challenges into her monthly financial forecasts.

"Understanding the sales mix is really key, because the cost and the selling prices are very dependent on what we sell to each territory," she said. "Understanding the factors in the environment is also very important."

The division sells the bulk of the products it imports from Nestlé affiliates to distributors that supply retailers and supermarkets on a chain of islands stretching more than 2,000 miles from the North Atlantic into the Caribbean Sea. The biggest of the 20 sales territories, Trinidad and Tobago, is home to about 1.2 million people. The smallest, Montserrat, has a population of about 5,000.

Nestlé Caribbean uses marketing campaigns and trade promotions to compete on price, and Jodhan's forecasts must reflect the effects that the challenges of doing business in the Caribbean have on volume targets and profitability.

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