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**Investing in
human capital**

**Risk management:
Back office to the
front line**

Aklilu Mulat, CMA, FCMA,
chief operating officer, HOPE
International Development Agency

Driven by desire

Aklilu Mulat, CMA, FCMA, explains the logistical challenges of delivering aid to the world's poorest families



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from the **editor**

Building a stronger nation

In early March, Jim Flaherty, minister of finance, tabled a budget plan that builds on Canada's economic recovery with action to create jobs and growth, sustains Canada's economic advantage and includes a disciplined plan to return to balanced budgets.

The budget contains specific measures that will help Canadian businesses increase their capacity to innovate and become more productive. These include: develop a digital economy strategy; invest in economic sectors of the future, such as green power generation; make new investments in public sector-led research and development (R&D), and provide incentives to attract the best and brightest research leaders.

The Certified Management Accountants of Canada welcomes the government's focus on making Canada more globally competitive and encouraging greater investment in Canada.

"CMA Canada believes Budget 2010 makes Canadian businesses more globally competitive by eliminating barriers to investment in Canada and increasing their capacity to innovate," Joy Thomas, MBA, FCMA, C.Dir., president and CEO of CMA Canada, says. "CMA Canada is encouraged that the government is focusing on innovation, such as developing a digital economy strategy that will further prepare Canadian companies to meet the changing nature of global competition and ensure Canada's future economic prosperity."

While CMA Canada welcomes the new investment in public sector R&D included in Budget 2010, it also advised that government continue to encourage business-led R&D — a critical source of innovation. The Canadian government should also consider CMA Canada's pre-budget recommendation of enhancing the scientific research and experimental development (SR&ED) tax credit. As increased adoption of information communication technology (ICT) is a key driver of productivity and a contributing factor to innovation, CMA Canada continues to call for tax incentives that encourage greater investment in this area, particularly among small- and medium-sized enterprises.

During the same week the budget was delivered, Statistics Canada issued a release that suggests a demographic change — one that could alter Canada's economic, political and education systems — is going to take place. The diversity of Canada's population will continue to increase significantly during the next two decades, according to new projections of Canada's ethnocultural makeup. By 2031, between 25 and 28 per cent of the population could be foreign-born. This would surpass the proportion of 22 per cent observed between 1911 and 1931 — the highest during the 20th century. The change in Canada's demographic, compounded by increasing globalization, requires that companies need to prepare on how to attract, manage and retain a diverse workforce. Diversity has become a business imperative. Doug Archer joins *Management* this month with tips on how to establish a workplace diversity framework.



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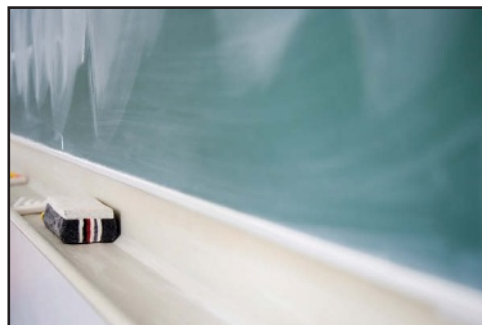
Canada



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While it may be a surprise to the layperson, successful accounting professionals need excellent communication skills. As managers, advisors, disseminators and strategists, it is essential that CMAs have the skills to deliver their message clearly and effectively.

By Dan Johns



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Most are familiar with the saying, “don’t put all your eggs in one basket.” An accepted axiom in the realm of financial investment, this principle also holds true for investment in human capital.

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Changes in the Canadian economy opened a window of opportunity to drive accountability for risk management from a company’s office to the front lines, and to link it more closely to performance management systems.

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Akilulu Mulat, CMA, FCMA, and his team bring hope to the world’s poorest families.

By Arda Ocal

Cover Photo: venturi + karpa

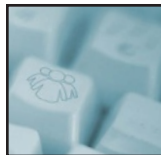
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Common mistakes companies make using social media tools in recruiting efforts.

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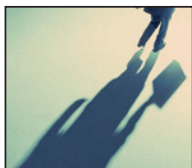
By *Connie Stamper, CMA*



Six mistakes to avoid when using social media to advance your career. You have spent years obtaining your CMA designation, honing your skills, and building a solid professional reputation. Unfortunately, if you are not careful, all that hard work can be washed away in an instant by something as simple as an inappropriate “wall post” or an unfortunate Google search.

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Six essential elements of an effective exit. With up to 80 per cent of baby boomer entrepreneurs intending to exit their business in the coming decade, Canada will experience an unprecedented increase in the number

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Thanks to the culmination of years of work led by Australian, Canadian and many other global risk authorities, the world now has a blueprint on how to start and

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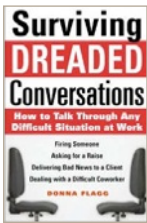
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- Controlling wireless costs
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Conquering workplace obstacles

Surviving Dreaded Conversations



Many people struggle with finding the right words to convey a message. *Surviving Dreaded Conversations*, by Donna Flagg, provides solutions for difficult conversations that need to take place in order for organizations and individuals to move ahead. Flagg shows readers how to stop delaying uncomfortable conversations and start facing them head on.

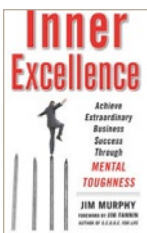
The book is filled with tips, strategies, and exercises and easy to memorize scripts for effective preparation. *Surviving Dreaded Conversations* debunks the belief that difficult conversations warrant dread and stress; offers insights into the most difficult types of people and how to handle difficult conversations with them; and presents real-life examples of all difficult workplace conversations.

Surviving Dreaded Conversations demystifies the negative myths that surround difficult workplace conversations, expands the way people think about communicating with their colleagues at work and provides ways to improve one's ability to function as an effective and successful communicator in the workplace.

"It's never as bad as you think it's going to be," Flagg says. "Jump in and don't let fear or awkwardness prevent you from acting. 'Doing' is the only way to learn. Each time you have to open your mouth and form your lips around the words, you have a valuable opportunity to prepare and practice for the next time."

Donna Flagg. McGraw-Hill. ISBN: 978-0-07-163025-2

Inner Excellence



For many years, Jim Murphy has shown athletes how to get beyond the fears that fuel negative thinking and get in the way of extraordinary performances. *In Inner Excellence*, Murphy uses his background as an athlete and coach to provide readers with the tools they need to focus and perform under pressure. With real-life examples, the book

informs readers not only how to achieve peak performance, but how to get to the root of the obstacles that may have previously stood in their way. Readers also learn how to enjoy their performance in whatever they do to make it part

of a great life experience. His program helps people achieve, master, embrace, and produce excellence in every area of life.

Inner Excellence provides three pillars of extraordinary performance: lead with your heart, expand your vision and be fully present. As readers go through the three pillars, they will develop focus, relaxation, enjoyment and discipline.

"This positive energy puts you in the best position to reach your ideal performance state, that zone where you perform the best," he says. "I call this zone 'resonance.' Resonance is the powerful energy that emerges when we feel truly alive; when we're connected with our true self, using our gifts in a challenging, meaningful way."

Jim Murphy. McGraw-Hill. ISBN: 978-0-07-163504-2

Effective Group Coaching



In today's workplace, group coaching is becoming the preferred coaching option for businesses and individuals. Author and coach Jennifer J. Britton offers a practical roadmap to help coaches, trainers, facilitators and HR professionals design, implement and market a group-coaching program.

Effective Group Coaching includes: a foundation and practical perspective on group coaching — what it is and how it differs from one-on-one coaching and training; ready-to-use tips and resources for programs delivered virtually or in-person for both corporate and public clients; case studies from coaches who are undertaking this work with a diversity of groups and topics. The book also includes interviews and showcases the work of successful coaches who are leading their own group coaching programs.

As Britton suggests, marketing is an essential part of group coaching success. Whether the reader is an internal or external coaching provider, Britton provides a focus on core marketing components such as: marketing fundamentals, general marketing tips and leverage, marketing plan and strategy and marketing for corporate group coaching. The chapter on marketing includes worksheets and templates to help readers create their own marketing plan.

Jennifer J. Britton. John Wiley & Sons. ISBN:978-0-470-73854-2



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Joddi Goertzen, CMA
Accounting Manager, DynaVenture Corporation

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News and views

New and noteworthy information you can use

Managing the upturn: Key strategies for sustained profitable growth



Economic recovery is predicted for the second half of 2010 now that widespread downsizing is largely complete and access to capital is improving, reveals a new study of more than 200 Canadian senior financial executives.

“Financial executives are bullish about their individual company performance throughout 2010,” Michael Conway, chief executive and national president, FEI Canada, says. “Overall expectations for revenues and profit growth are positive, and companies will continue to focus on cost control, revenue growth and market and product expansion to help improve their bottom line.”

The study, “Managing the upturn: Key strategies for sustained profitable growth,” revealed that a majority of companies are expecting their revenues to grow throughout the year. While cost reduction remains an important factor to half of companies surveyed, only 13 per cent anticipate downsizing their operations in 2010, with 30 per cent reporting that they may be increasing staffing levels.

“We may be moving into the recovery phase, but senior leaders cannot afford to loosen the reins on their business,” Eric Rawlinson, partner, Ernst & Young, says. “Decisions made now are critical to the success of any organization. Building on what we’ve learned from the crisis — and updating strategies accordingly — could mark the dividing line between businesses that thrive in the upturn, and those that falter.”

While 81 per cent of financial executives reported that

overall capital spending would fall short of 2008 levels, increases for 2010 are expected in five major areas including: new products and market expansion, technology and R&D, building cash positions, acquisitions and shareholder payouts.

“With the return to economic prosperity in 2010, companies across the country are implementing a variety of strategies to ensure they are well positioned to capitalize on market opportunities,” Ramona Dzikowski, executive director, CFERF, says. “Survey respondents said that growing revenue, improving customer service and increasing the efficiency of their supply chain top the list of corporate objectives.”

Additional priorities include:

Capital adequacy

- 75 per cent of companies expect to have sufficient capital to meet shareholder expectations and 68 per cent report that they do not expect to undertake refinancing in 2010.

Mergers and acquisitions

- One-third of senior executives reported being on the acquisition trail in 2010. Of those, 19 per cent were targeting direct competitors, 42 per cent were planning to acquire complementary companies, and 39 per cent were open to all opportunities.

IFRS

- 70 per cent of public company CFOs stated adopting IFRS will be a key area of focus for them in 2010.

Management

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Facebook, Twitter, target platforms of choice for emerging threats: McAfee



Social networking sites such as Twitter and Facebook will be the platform of choice for cybercriminals in 2010 according to the report “2010 Threat Predictions” released by McAfee Labs.

“We also foresee an increase in threats related to the banking security, botnets, as well as attacks targeting users, businesses and applications,” David Marcus, director of security research, McAfee Labs, says. “Our message to businesses is not to limit the use of online networks or Internet tools, but to be more aware of the threats.”

According to the report, the threats are as follows:

- With Facebook reaching more than 350 million users, the social networking site will face more sophisticated threats.
- HTML 5 will blur the line between desktop and online applications. This, along with the release of Google Chrome OS, will create another opportunity for malware writers to prey on users.
- E-mail attachments have delivered malware for years, yet the increasing number of attacks targeted at corporations, journalists, and individual users fool them into downloading Trojans and other malware.
- Cybercriminals have long picked on Microsoft products due to their popularity. McAfee Labs anticipate Adobe Reader and Flash will take the top spot.
- Banking Trojans will become more sophisticated, sometimes interrupting a legitimate transaction to make an unauthorized withdrawal.

- Botnets are the leading infrastructure for cybercriminals, used for actions from spamming to identity theft. Recent successes in shutting down botnets will force their controllers to switch to alternate, less vulnerable methods of command.

Malware authors often follow social networking trends. As Google and other service providers crack down on “search engine poisoning,” McAfee Labs expect Twitter and similar services will increase in appeal for similar purposes.

“New emerging technologies will also present new risks,” he adds. “We don’t expect to see widespread attacks; however, we do expect to see activity and proof-of-concept attempts. When the population embraces the new technology, cybercriminals will be ready.”

Online resource for expats

A new online information resource for expats worldwide offers resources and free content to anyone considering international relocation as well as individuals living abroad.

Expat Info Desk (www.expatinfodesk.com) offers destination specific information to more than 30 cities on five continents, and covers all aspects of moving and living abroad. Topics include: accommodations, legal requirements, education, childcare, transportation, mobile and service providers, shopping, leisure, customs, and cost of living.

Authors, who are profiled on the site, are expats themselves; living and working in the city they cover. They provide frequent updates to keep the information timely and current.

“As an expat having lived in nearly a dozen countries, I know only too well how daunting the process of relocation overseas can be,” George Eves, co-founder of Expat Info Desk, says. “We built this site to make the process as simple, informed and successful as possible for both individuals and families.”



"One of the most important consequences of using SYSPRO is that our inventory control has tightened considerably, without having to add additional people or increase anybody's workload."

Blair Stunder, General Manager, Arctic Manufacturing

Arctic Manufacturing

Established in 1974, Arctic Manufacturing is a private company situated in Prince George, British Columbia. With 25 employees, working out of a single, 35,000-sq.ft. facility, Arctic fabricates a variety of stock and custom-designed commercial trailers for heavy transportation. "It's class 8 equipment," says Blair Stunder, the company's General Manager, "mostly for log transportation."

The bulk of Arctic's product is made for companies in British Columbia, Alberta, and Northern Saskatchewan. Over the past few years, outside market forces have been unkind to Western Canada's forest workers, and the current housing crisis in the States has decreased demand for forest products dramatically. "The market's not what it should be," admits Stunder, "but everyone's in the same boat. On the positive side, the Chinese market for timber is starting to open up."

Like most companies in the global marketplace, Arctic relies on efficient business processes to maintain its competitive edge in difficult times. Having an appropriate enterprise resource planning (ERP) system can help a business integrate its key operations, and synchronize, plan and optimize its available resources. An ERP also offers a wealth of real-time information that can greatly enhance the insight of company decision makers.

For the past 16 years, Arctic has been run on SYSPRO enterprise resource planning (ERP) software. "In the '70s," says Stunder, "we did the books by hand. In the '80s we switched to computers, and worked with a custom software vendor. In 1993, we realized that our business had outgrown the capabilities of our software. When you start getting into manufacturing, supply chains, bill of materials, etc., the field of appropriate software narrows considerably. We looked at other systems, but at the time there weren't many ERPs that had everything we needed. SYSPRO was clearly the best choice, and to make it even better, their support was in the same time zone."

Working with a SYSPRO VAR, Arctic's ERP implementation went smoothly. "We went live during our busiest season," says Stunder. "There were a few long days and evenings, but no major hitches. In retrospect, we spent time making modifications that might not have been necessary. Next time around I would probably go with SYSPRO's default company set-up. With all the flexibility built into SYSPRO, it pretty much fits our business needs right out of the box."

These days, Arctic uses most of SYSPRO's inventory, manufacturing, tracking, reporting, analysis and accounting modules.

"One of the most important consequences of using SYSPRO," says Stunder, "is that our inventory control has tightened considerably, without having to add additional people or increase anybody's workload. Whenever you can increase your access to data without adding to staff or work levels, it's a good thing. In general, with SYSPRO, we're getting more accomplished, with fewer people, than has ever been possible before."

Tapping in to SYSPRO's flexibility, Arctic uses the Work in Progress (WIP) module for overall expense tracking. "Because of the ability of the WIP database to track labour, as well as stocked and non-stocked parts for job costs," says Stunder, "we can set up a piece of equipment in the WIP and track its maintenance throughout the year. Similarly, at the end of the each month we can look at our building maintenance and cleaning costs, and it gives us an almost live look at our real expenses."

Not only has SYSPRO helped to keep Arctic competitive, it's done so within a framework of simplicity. "Many of our employees have worked with other ERPs," says Stunder, "and are impressed with SYSPRO's ease of data retrieval. Our employees also appreciate how simple it is to customize the interface. At the warehouse level, the user has manipulated the screen set so he sees strictly what's important for his job. In the accounting office it's completely different. It's great to see employees customize the user interface to optimize their workflow."

Stunder also credits SYSPRO with improving the company's relationships with suppliers and customers. "Over the last few years we've switched to e-mailing our Purchase Orders in MS Word format. Not only has that cut down on long-distance phone calls, it's greatly reduced the number of order entry errors."

In the future, Arctic is considering the implementation of bar codes and scanners. "There's also a great deal of data entry on the manufacturing side," says Stunder. "Scanning job tickets would streamline things considerably. As an additional benefit, the printed barcode labels would allow for much better tracking."

For Arctic, SYSPRO has given 16 years of sterling service. "We've had no problems to speak of," says Stunder. "SYSPRO is a stable, reliable, low-maintenance ERP system, and it does what it's supposed to do six days a week, every week of the year."

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Common mistakes companies make using social media tools in recruiting efforts

While simply jumping into the social media space is relatively easy, it is not the panacea many hiring managers may think. The most successful hiring strategies depend on a combination of resources that include both high-tech and high-touch approaches.

By **Connie Stamper, CMA**

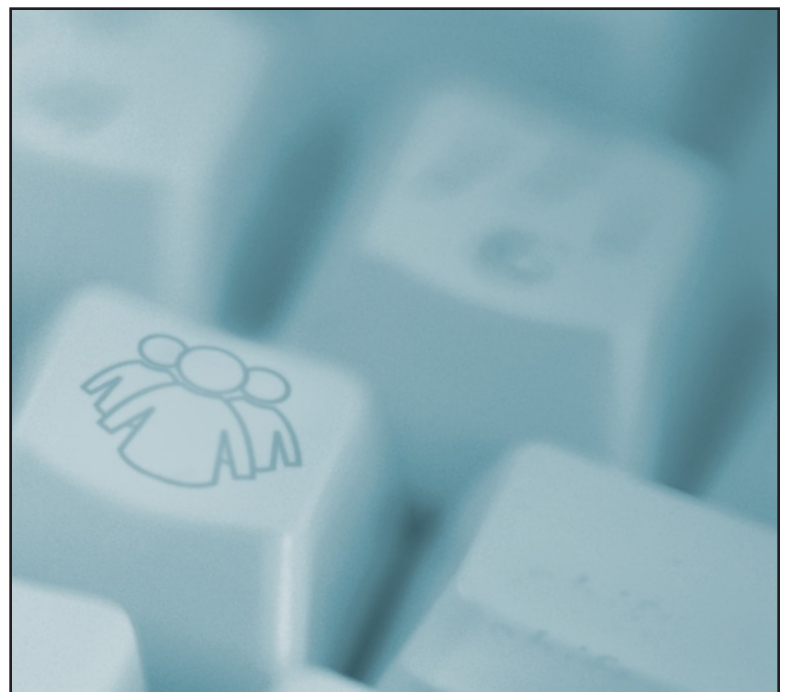
Even in a job market with a large pool of available accounting and finance professionals, finding individuals with the right set of skills can still be difficult. As companies that cut too deeply in the early months of the recession recognize they can no longer hold off on refilling key positions, some hiring managers are moving ahead, but they are also looking for ways to make their recruiting efforts as efficient as possible. For some, this includes considering how engaging in online networking communities might fit into their overall strategy for attracting skilled candidates.

As more people use social media, some businesses are interested in incorporating tools such as Facebook and LinkedIn into their recruiting strategy. Although these tools can help hiring managers expand their reach, there are pitfalls to avoid.

1. Thinking it's risk-free to navigate "open" territory

Job candidates are inviting employers to view their profiles on both mainstream social networking sites (such as Facebook and MySpace) and more professionally-oriented social networks (such as LinkedIn and Xing), hoping the information will help hiring managers see a more complete view of the "real person" beyond the cover letter and resumé. However, this level of openness can be dicey territory for employers.

Candidates have sued companies because they



believe they were rejected for a job based on content posted on their personal profile on a social networking site or elsewhere online. Still, many employers use these profiles to screen candidates, and the information they find can influence their decision making. In a recent survey of 2,600 hiring managers in the United States by online jobsite CareerBuilder, 45 per cent of respondents said they had searched for applicants on social networking sites. Of that group, 35 per cent said they decided not to hire a candidate based on information found with those searches.



Your human resources group and your legal department can provide insight on navigating potential quagmires while using social media tools and applications during the hiring process. They can also establish clear guidelines to help interact with candidates online.

2. Thinking online recruiting can replace traditional interpersonal interaction

This is one of the biggest mistakes of all. Too many companies that decide to use social media profiles mistakenly see it as a “cure all” for their recruitment process. Social media efforts should augment, not replace, traditional one-on-one contact, which includes outreach to potential candidates through in-person networking events, as well as relationships built with reputable recruiters. And there is ample reason why.

The quality of a candidate’s interpersonal skills are increasingly important to businesses – even in non-customer-facing positions such as many accounting and finance jobs, since teamwork and the need to

offer advice within the company has risen in importance. As a result, hiring managers need to understand how individuals will mesh with the organization and its corporate culture. These aren’t attributes an employer can accurately evaluate on a Facebook or LinkedIn page.

3. Not targeting the right online communities

Some firms take a general approach, failing to acquaint themselves with many of the online industry-specific networking communities designed for business professionals. These sites may serve as more direct channels to qualified candidates than some of the more heavily populated, general social networking sites. Not all communities are open for anyone to join; however, you may need an invitation or meet certain requirements for acceptance. Be sure to research how your competitors are using social media and what communities they engage in to connect with candidates.

4. Stepping on toes

Some employers who decide to represent their organization on a social networking site fail to understand and heed the community’s etiquette, even though most sites have written policies for user behaviour. You can easily “turn off” other members by being overt

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with your recruiting efforts or overselling the merits of your company. You risk damaging your company's reputation by pressing your agenda and not respecting the community's rules.

5. Being quick to judge

Managers who judge potential hires too harshly based on what they find about them online run the risk of unintentionally eliminating superb candidates. They forget that social networking profiles are not resumés. You wouldn't hire someone based solely on the fine prose of a well-written cover letter, so don't reject a candidate just because you raised an eyebrow at the content posted on his or her profile. Some professionals invest time separating and maintaining both "personal" and "professional" online profiles, but many more do not.

Gen-Y candidates, for example, who are particularly active in the social media space, are typically comfortable with having their personal and professional lives overlap on the

Internet. Hiring managers need to be aware that Gen-Yers may share personal information about themselves online more freely than other professionals.

6. Not recognizing the time commitment

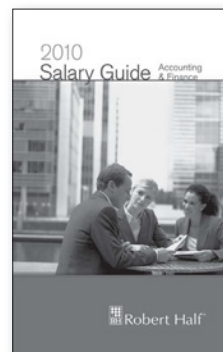
Social networking sites are communities, which means it can take months to build relationships with users – especially if you are a business. Managers who go in without considering the potential time commitment involved in forming useful relationships using Facebook and other social media will meet with an unpleasant reality.

While simply jumping into the social media space is relatively easy, it is not the panacea many hiring managers may think. The most successful hiring strategies depend on a combination of resources that include both high-tech and high-touch approaches. ■

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Six mistakes to avoid when using social media to advance your career

By Peter Jeewan

You have spent years obtaining your CMA designation, honing your skills, and building a solid professional reputation. Unfortunately, if you are not careful, all that hard work can be washed away in an instant by something as simple as an inappropriate “wall post” or an unfortunate Google search. And with more employers than ever using social media to research potential job candidates — up from 22 per cent in 2008 to 45 per cent in 2009, according to CareerBuilder, a global leader in online recruitment advertising — it pays to be on your best behaviour online.

As a firm that specializes in recruiting designated accounting and finance professionals, our team has seen some highly qualified candidates undermined by their online behaviour. Here are six social media mistakes to avoid if you want to climb the corporate ladder without incident:

1. **Use it (carefully) or lose it.** LinkedIn, which purports to “connect the world’s professionals to make them more productive and successful” is a powerful tool — one that recruiters and employers alike give credence to when researching candidates — but there is no point using it unless you use it wisely. If you have a LinkedIn account (and we recommend you do), ensure that your profile is up-to-date, that you target individuals within your network with laser-like precision when job searching (e.g. avoid the “shot-gun” mass e-mail approach), and that you avoid “circular” references — those, “I’ll say great things about you if you say great things about me” types of references. They undermine credibility. Credibility is sacrosanct when building your career.
2. **Leave on-camera appearances to Hollywood.** You may have heard of the Wall Street guy who posted a YouTube video of himself dancing as a way to demonstrate firsthand that he was more than “just a finance guy.” Well, there is a reason his video was removed — it backfired. He was laughed at — a lot. If you are going to use YouTube — or any form of video-taped interview — be very careful.
3. **Be ready to be surprised.** Search engines these days are like industrial vacuums. Their suction can pick up just

about anything and spit it back out in an instant. Although their results may be factually inaccurate, search engines such as Google can easily call into question your good name. Be aware of what comes up when you “Google” your name. Even if the person you find wearing a lampshade isn’t you, be ready to defend yourself to a prospective recruiter or employer.

4. **Banish casual language from your professional vocabulary.** One of the biggest mistakes candidates make is taking the “social” in “social media” too literally. You are looking to advance your career so all of your communications (especially via e-mail, LinkedIn, Twitter, blogs, and texts) should be professional, free of expletives, grammatically correct, and in no way mimic the ubiquitous “LOL” style acronyms of social networking.
5. **Stay in control (or at least avoid getting tagged).** It goes without saying that, if you have a Facebook page, you should set your privacy settings on the equivalent of “high alert.” But this may not be enough to avoid an embarrassing comment or photo surfacing on one of your friends’ pages for an employer to find. Be vigilant about keeping your good name (and image) clean by a) avoiding embarrassing social circumstances in the first place (or at least being photographed in them) b) writing inappropriate comments on friends’ walls, and c) having compromising photos and their tags removed — before it’s too late.
6. **Don’t share TMI (too much information).** The thing to remember online is that less is often more — starting with something as simple as your public e-mail address. An e-mail address like partydude@ or a personal web page that reveals some questionable hobbies may seem obvious, but these are two real examples of where candidates have been knocked out of the running for a position. Remember, when a recruiter puts you forward for a role, your reputation is not the only one at stake, so do your best to keep it clean. ■

Peter Jeewan, CA, is president & CEO of Lannick Group of Companies, specialists in recruiting and placing designated finance and accounting professionals in contract and permanent roles for 25 years.



Six essential elements of an effective exit

With up to 80 per cent of baby boomer entrepreneurs intending to exit their business in the coming decade, Canada will experience an unprecedented increase in the number of businesses for sale.

By Jason Kwiatkowski

In the next 15 years, the United States and Canadian economies will experience an unprecedented increase in the number of businesses for sale. Baby boomer entrepreneurs will be retiring. A study from the Canadian Federation of Independent Business suggests that up to 40 per cent of these owners plan to exit their business within the next five years, with up to 80 per cent retiring within a decade. This will be the largest transfer of private wealth in history.

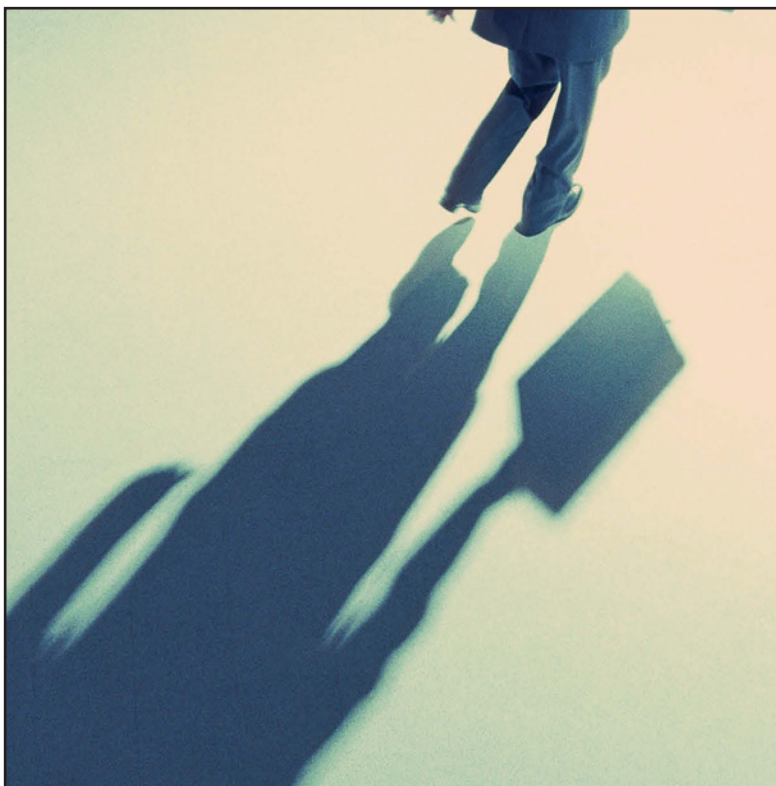
The increasing supply of businesses for sale will likely put downward pressure on sale prices. Owners and their management team will need to focus on doing everything possible to increase the attractiveness, value and salability of their business.

Add value with an exit plan

At the same time, most private business owners are not prepared for an exit — they have no formal exit plan in place. Rather than being proactive, owners tend to be reactive and are often “forced” to sell without the time to prepare correctly because of burnout, health issues, marital problems or business conditions. As a result, too many business owners exit their companies at the worst possible time and can regret their decision.

Given the number of companies that will be coming to market in the near future, owners will need to focus on growing revenue, improving profitability and strengthening the depth of the management team in order to make their companies more attractive and to maximize the proceeds they receive at the time of exit. A proper exit plan can deliver these results.

An exit plan outlines the necessary steps to accomplish an owner’s goals upon retirement. It addresses the business, personal, financial, legal and



tax issues that are involved in exiting from a privately-owned business. This plan is designed to be a road map for owners to ensure their retirement goals are accomplished, including maximizing net proceeds upon the sale of the business.

There are important benefits to having a formalized exit plan. A well-designed and implemented plan enables the owner to:

- Control how and when the business is exited;
- Maximize company value in good times and bad;
- Minimize, defer or eliminate capital gains taxes upon the sale of the business;
- Achieve business and personal goals; and
- Reduce tension among the owner, family and employees.



The essential elements of an exit plan

In order to be effective, an exit plan must include six essential components.

1) Goals assessment

The plan should begin with a concise statement of the owner's personal, financial and business goals, which provide a frame of reference for the plan.

In order to be effective, goals should be specific, measurable, achievable, realistic and motivational. "Maximizing my company's value when I exit," for example, is not specific or measurable. "Growing my company from a valuation of \$15 million to \$25 million within five years so I can retire and net at least \$16 million," is a more effective goal.

2) Financial needs assessment

Once goals are established, the next question becomes "What amount is needed upon exit (e.g. sale of the business) in order to accomplish my goals?" This is the main objective of a financial needs assessment. This assessment also ensures that the owner's goals are realistic and helps to identify a course of action for the business.

The assessment requires making certain assumptions in order to arrive at an estimated lump sum amount the owner will require upon exit. These assumptions may relate to annual spending requirements in retirement, rates of return expected on retirement, inflation rates and life expectancy.

3) Business valuation

After establishing goals and quantifying the amount needed at retirement, it is necessary to take an inventory of the owner's assets, including the value of the business. An independent business valuation will establish a baseline value for the business and help to identify specific ways to enhance its value prior to exit. If value can be increased by 10, five or even one per cent through this exercise, it is not difficult to see that the benefits far outweigh the cost of the valuation.

Common valuation approaches for going concern businesses include cost, income and market approaches. Since blindly applying industry rules of thumb often leads to errone-

ous value conclusions, a professional business valuator should assist with the valuation. The valuator can also provide recommendations on how to enhance value over time.

4) Exit alternatives analysis

Exiting a business means different things to different people. In general, owners exit their business through either an internal or an external transfer. Internal transfers involve sale to family members, existing shareholders, management team or employees. External transfers include a third party sale, refinancing or going public.

To be effective, an exit plan must assess the pros and cons of each exit option as it relates to the circumstances and stated goals of the business owner.

5) Net proceeds analysis

After selecting appropriate exit alternatives, the net proceeds to be received under each alternative should be estimated based on an assumed sale price. It is important that the business owner understands that the actual net cash received upon sale can be significantly lower than the agreed upon sales price. Net proceeds represent the net amount the owner retains upon sale after paying liabilities, income taxes and other obligations.

Whereas the seller is interested in net proceeds, buyers are generally interested in a company's enterprise value (value to both debt and equity holders). Depending on the exit alternative and transaction structure (asset vs. share sale), enterprise value is increased by non-operating assets (redundant cash or investments) and decreased by the debt, non-operating liabilities, closing expenses and corporate and personal taxes to be paid on the transaction.

With a proper exit plan in place, an owner can minimize taxes and other obligations that must be settled upon sale. A tax accountant or lawyer can assist with this component of the exit plan.

6) Action plans

An exit plan also requires action plans for the owner(s) personally and for the business. Action plans should identify the specific tasks to be undertaken (such as improving depth of management, preparing a contingency plan, diversifying the sales base, developing a strategic plan, etc.), their timing, the individual(s) responsible and the specific steps involved. Finally, regular meetings should be scheduled with those accountable for the implementation of the exit plan and the lead advisor to ensure that goals are achieved.

Ultimately, companies that have invested the time and effort to prepare for sale will ultimately sell for a significant premium over those that come to the market unprepared. The time to act is now. What's the likely return on investment associated with implementing a proper exit plan? Priceless. ■

Jason Kwiatkowski (jkwiatkowski@bdo.ca), CA, CBV, ASA, CEPA, is a senior manager in the financial advisory services group of BDO Canada LLP. He assists business owners with issues involving exit planning, business valuation and litigation support.



Putting the “success” in succession: Addressing the silent barriers

Case Study

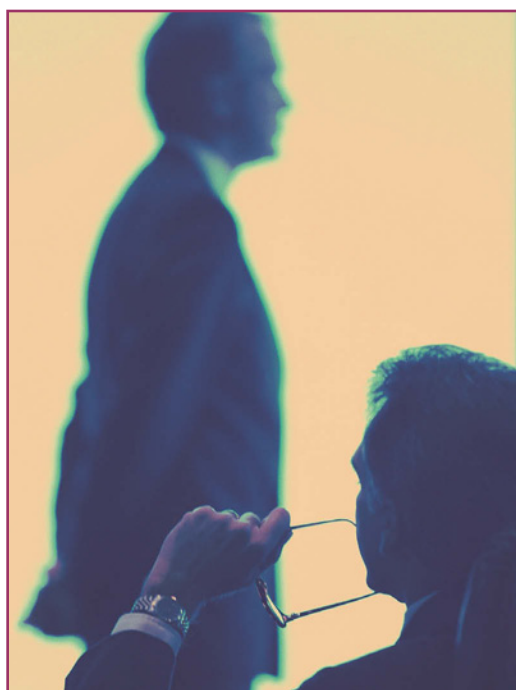
By Francine Carlin

The CMA seated across from me looked concerned. We were both listening to his client, the owner of a successful mid-sized wholesale business, express anxiety about the future of his company. The client — let’s call him Charles — had started the firm out of his garage 40 years ago. Now in his early 60s, Charles was starting to think about retirement, but was uneasy about his succession.

“My two kids have worked in the company for years, but I’m not sure they have what it takes to run the place,” Charles worried. “They think they do, and so does my wife, but I have my doubts. Besides, even if they’re right, how would we ever figure out who would take the lead? They each have different strengths, and they can’t both be the boss.”

I disagreed with that conclusion — I’ve seen plenty of siblings take on co-leadership roles after their parent retires from the family firm — but I held back any comment as Charles continued. “It would be so much easier to sell the company to an outsider who I know will carry on operations like I have,” he said. “In fact, I have someone in mind, and we’re meeting next week — in your office, if possible.” He directed this at his accountant with a meaningful look. “I don’t want anyone at the firm, including my kids, to know I’m thinking about exiting the business before I have this deal nailed down. You know how quickly rumours can fly.”

The CMA, Ben, and I exchanged knowing glances. We both belonged to a network of professionals involved in family business succession, and we encountered scenarios like this before.



For most entrepreneurs like Charles, deciding to let go of one’s business and move on is a complex decision and a significant life event filled with emotionally charged issues. Uncertainty about the right time to act, poor communication between the retiring owner and his or her family, entitlement expectations of offspring, uneasy long-time employees and customers, personal conflicts about life after a handover — these are just some of the issues that can become silent barriers — undercurrents of conflicting attitudes and behaviours — to a smooth family business transition to an internal or external party.

Ben had called me into the meeting because his experience told him Charles and his prospective buyer were headed down a rocky path if Charles didn’t sort through his successor options and the issues involving his adult children before going much further.

Identifying and addressing silent barriers is a best practice on both sides of a sales deal — for the seller, a vital part of succession and transition planning, and for the buyer, an essential component of the risk assessment and due diligence process. Unfortunately, it is seldom a formal step in the succession process because many people think personal matters shouldn’t mix with business. The cost of ignoring silent barriers, however, can be high. Sorting through charged issues on an ad-hoc, reactive basis can unnecessarily prolong the succession process. Worse, silent barriers can capsize a transition altogether and threaten the longevity of the company as customers get the jitters, employee morale suffers, future internal leadership walks out the door, or prospective outside buyers run out of patience.

CMAs have a good reason to be familiar with how silent barriers can cripple an otherwise technically sound business transfer. The largest business transfer in Canadian history lies ahead — and accountants will be on the front lines. According to a survey by the Canadian Federation of Independent Business, over 90 per cent of exiting business owners look to accountants as their primary advisors in the succession process.



Although each organization's unique needs influence program specifics, here's a proven approach for exposing and addressing silent barriers in the family business succession process:

1. The owner should consider the impact of family and non-family succession options on family members, customers, employees, and one's personal retirement plans, using a questionnaire like the one presented in the sidebar.
2. To begin a careful discussion about the sensitive emotional issues underlying the succession process, family members need to organize a meeting. An experienced family business facilitator can assist in this step by organizing a safe group setting where people feel open to explore their thoughts and feelings. Acknowledging the legitimacy of family members' feelings is critical groundwork for financial and legal advisors to work out the details of the ultimate succession solution chosen in the next step.
3. An experienced team should be assembled to evaluate succession options with respect to the family and the business, and to arrange the financial and legal details for the chosen option.
4. The owner should regularly check in with each family member to ensure the family business ownership/management transition stays on course. Questions to ask: Are you still pleased with the succession decision(s)? Is there anything that would make you more comfortable with the process? It is important that family members be clear and candid about their needs, and that the group find positive ways to mitigate concerns in the details of the transfer.

Charles nodded as Ben and I pointed out the possible pitfalls of ignoring his children in his succession deliberations. "Whether or not they become my ultimate successors," he finally said, "they are valuable to the business and I don't want to take their livelihoods away. I admit I'm anxious about having a family meeting, but I'm convinced it's important. I was trying to avoid the emotional issues involving my family, but the issues are there and we have to deal with them to make sure the succession process goes smoothly."

By encouraging clients like Charles to identify and address emotional issues before they undertake a business transfer, Ben was going beyond the financial and technical role to serve as a strategic advisor, forging what would most likely be a win-win-win scenario for Charles, his family, and his business. ■

Francine Z. Carlin, MA, is the principal of The Business Harmonizer Group, a consulting practice that addresses the leadership issues that impact business decision making. She also works with family owned firms and entrepreneurs where she is able to link emotional issues to the real world of business.

Identifying silent barriers to the succession process

By considering the following questions, an exiting family business owner will be better able to identify potential silent barriers to a smooth succession process, and will be better prepared to make informed decisions among various succession options:

1. Are any of your family members employed or do they expect to be employed in the business? If so, what are your intentions for including them in your exit plans?
2. Do you believe your adult children are interested in and capable of building upon your hard work and carrying the business to the next level?
3. What is the role of your spouse/partner regarding decision making in the business?
4. If you are considering a non-family member as your successor, what will be the impact on your family?
5. Have you considered how long-term employees, customers, and other stakeholders will react to your exit plans? What are your intentions for communicating with them?
6. Have any of your family members or friends invested in the business? If so, have you made any commitments to these investors regarding profits from a future sale of the business?
7. Is your estate planning and business planning in alignment with your succession plans?
8. Do your estate plans allow for the different needs of each of your heirs?
9. Are there any legacies or business values that need to be retained as a condition of the succession process?
10. Have you considered what you will do with your time once you exit the business?



Accounting made easy

The lack of information available to small business owners is making it difficult to select accounting software to assist with day-to-day operations.

By Karine Benzacar, CMA

Many entrepreneurs still use Excel spreadsheets as their bookkeeping tool of choice. Little do they know what they're missing. These individuals don't realize how much they could benefit from using a dedicated accounting package nor do they know how simple and inexpensive basic accounting packages can be.

According to studies conducted by Intuit, a leading provider of accounting software, 800,000 Canadian businesses are using accounting software, but there are still 1.6 million businesses that are not. "One of the key issues for small business owners is having enough information to make quick and informed financial decisions with confidence," Chris Davey, senior manager, Intuit Canada, says. "Accounting packages like Quickbooks give users the ability to easily track finances in real-time and present critical details in a single dashboard. It also streamlines time consuming tasks like payroll and invoicing. In the end, small business owners make money, save money and can re-direct accounting time toward doing more of what they love."

Sage Software, the other major player in the industry, with its Simply Accounting package, echoes its comments. "Small businesses today have to do more with less, which makes fast and easy-to-use tools key to their success," Jamie Sutherland, vice-president and general manager, Simply Accounting, says. "Simply Accounting is built for both simplicity and speed, managing financial and operational needs and providing a complete scalable accounting solution."

Many accountants are familiar with the large software packages, such as SAP and Oracle, but do not realize just how effective small business packages have become. If accountants can convince their clients to use these packages, they can spend their time on more valuable services, such as business planning and tax advice, services for which they can charge a premium price.

The biggest benefit of a dedicated accounting package is the ease of use and the reduction of errors.



If used properly, accounting software packages can remove hours of frustration associated with manually tracking accounting transactions. Unlike Excel spreadsheets which require users to build in formulas and create reports, all standard features and reports are already preprogrammed.

Some of the benefits of packages include control features to categorize expenses into accounts and ensure that debits equal credits in any transaction (a fundamental feature of accounting). Entrepreneurs can also store important information on customers, vendors, employees, and inventory in these packages. When it comes to preparing invoices or creating cheques, the procedure involves little more than a few keystrokes to update all relevant information. The packages will also highlight when there isn't enough cash in the bank to cover all outstanding cheques. Packages can also take the place of expensive payroll processing providers by automating payroll processing, including calculating and withholding payroll taxes and creating T4s at the end of the year.

Small business owners can therefore perform some of the accounting functions on their own instead of outsourcing the work to accountants. Using an accounting package can save a small business hundreds or



even thousands of dollars in professional accounting fees.

This doesn't mean accountants will go out of business. Quite the contrary, as business owners take on more of these tasks in-house, they turn to their accountants for strategic business advice. "I prefer managing my own bookkeeping because I know day-to-day how I am doing, but I will never call myself an accountant and I still rely heavily on my accountant for financial advice," Lisa Turk, sales operations manager of Jasper Design and a small business owner says.

Buying an accounting package is almost like buying a car — there are a few competing products in the marketplace, the most popular being Intuit's Quickbooks and Sage's Simply Accounting. The top companies jockey for the position of market leader, each year introducing new features which they hope will provide them with a competitive advantage over their rival — until the following year when their competitor copies them and adopts the same functionality.

Both Simply Accounting and Quickbooks have very similar functionalities and differ most in terms of their user interface. Quickbooks presents information very much in layman's terms; it uses terminology such as "customer invoices" and "vendor bills" rather than "accounts receivable" and "accounts payable." This is well-received by most business owners who are not financial people by nature.

Sofia Mintz, CMA, and a public accountant says, "As an accountant, I would prefer to work with software which uses the accounting terminology I'm

familiar with. However, most of my clients won't use software if they can't understand it and a simple user interface makes it easy for my clients to do most of the upfront bookkeeping before I start reviewing their books."

Simply Accounting, on the other hand, has a greater appeal to accountants because it has an option of using accounting terminology in its user interface. Of course, for the small business owner who wants to stay as far from financial terms as possible, Simply Accounting has a layman's interface as well.

Buying an accounting package can be quite inexpensive, beginning at \$49 for the simplest version to over \$3,000 for the multiple-user version with many bells and whistles. Pricing for Simply Accounting and Quickbooks is extremely comparable and the decision most often boils down to which tool is easier to use. Both of the companies allow users to download trial versions from their websites.

Once business owners adopt an accounting package and see this package paying for itself in just a few months, they're unlikely to ever return again to Excel. ■

Karine Benzacar, MBA, CMA, CPA (Del.) is managing director of Knowledge Plus Corporation, an organization providing financial consulting and training across North America. She may be reached at karine@knowledgeplus.ca.

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The sticky floor threat: Communication skills and internationally-trained accountants

While it may be a surprise to the layperson, successful accounting professionals need excellent communication skills. As managers, advisors, disseminators and strategists, it is essential that CMAs have the skills to deliver their message clearly and effectively.

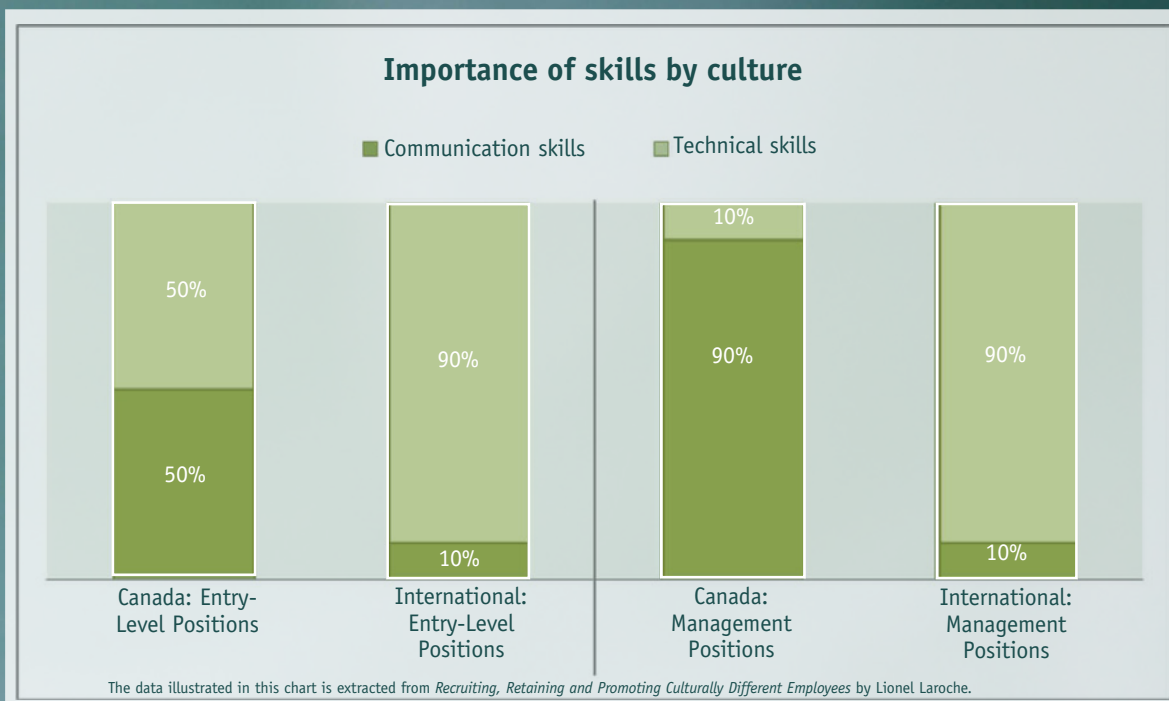
By Dan Johns

Over the next few years, baby boomers will be retiring. This will create a human capital void in management positions in every sector. As middle management moves up to fill upper management vacancies, the void also carries over to middle management roles. Without enough Canadian-born accountants entering into the industry to meet the demand for new talent, the solution lies outside our borders.

Currently, almost a quarter of a million people immigrate to Canada each year. Quite a few of these individuals are skilled accountants who, as you may know, have been entering the industry for many years now and represent the largest-growing demographic in accreditation programs. This is where the solution to the labour shortage lies, but this changing makeup brings a new challenge to the industry.

Communication challenge

Most immigrant accountants who do not speak English as a first language are missing a key skill set to advance beyond entry-level roles. While competency in the English language contributes to the success of a visa application for skilled workers, there is no minimum level required. The level of communication competency one needs to be a successful accountant equates to the highest level listed on visa application forms. In more cases than not, internationally-trained accountants are falling short. This might come as a surprise to most companies or it might be something they are reminded of on a daily basis. A 2009 Compas employer survey commissioned by the Progress Career Planning Institute (PCPI) and a survey of internationally-trained professionals, also commissioned by PCPI, showed a stark disparity between the perception of language skills as an obstacle. The employers surveyed almost unanimously viewed inadequate language



skills as the most important reason why internationally-trained professionals struggle to find adequate employment. Conversely, almost none of the immigrants surveyed cited this as a significant factor or even a barrier at all. What could explain such a disparity?

Currently, almost a quarter of a million people immigrate to Canada each year.

The two perceptions may be entirely cultural. Lionel Laroche, author of *Recruiting, Retaining and Promoting Culturally Different Employees*, attributes the two views to the way communication skills are valued in North American business culture compared to the business cultures of the home countries for many of our immigrants. In North America, we place a great deal of significance in a person's communication skills. While technical skills are absolutely important, communication skills hold an equal importance, on average. Conversely, in many other countries, technical skills are king.

Not recognizing this cultural shift when entering into the Canadian business world, internationally-trained accountants often have a hard time making the necessary improvements for career progression. When they see themselves getting passed over for a promotion, their first thoughts are to assess their technical skills. If they seek any training at all, it's most likely going to be in this area rather than improving their communication skills. One might even question whether it's

even possible to improve one's communication skills at this point. As one of the four enabling competencies within CMA Canada's Competency Map, strong written and oral skills distinguish CMAs from other professionals working in the area of strategic management accounting.

Training situation

Like any other skill an accountant needs for their work, communication skills can be trained and improved upon. This may seem logical, but at the same time, counterintuitive because English isn't a first language for many immigrants. Also, there are immigrants who have lived in Canada for decades and have not made any significant improvement in their communication skills.

The reality is that people will progress to a point they believe the value no longer outweighs the cost of progressing any further.

If you feel that your communication skills are adequate, there is little value in spending your time and energy making further improvements. However, if you come to the realization that this is the deficiency that is holding you back in your career, engaging in the appropriate training will help you overcome this challenge. Finding and participating in training might not be so easy, however.

Accessibility is the biggest hurdle for immigrant accountants who want to improve their communication skills. Other factors that make communication training difficult to access are as follows:

- Training does not fit a professional's schedule. The majority of available programs are either at inappropriate

times (daytimes during the week) or have taxing durations (six or more hours of study each week).

- Training is not accounting-specific. Unfortunately, training often cover generic business themes or, if focused on accounting, deal more with jargon and terminology which is not an issue for immigrant accountants already working in the industry.
- Employers are unfamiliar with language training. While HR staff established practices and relationships with corporate trainers, these traditional avenues rarely involve language training for those who speak English as a second language.
- Most language trainers are unfamiliar with employers. The professionals who focus on language training have their sights set on newcomers and/or international students and do not reach out to corporate Canada. This is a blind spot for most skilled curriculum developers that specialize in language training and a lack of appropriate resources is the result.
- Communication training from corporate trainers does not equal language training.
- Often corporate trainers offer communication courses, but these are geared toward native English speakers and do not incorporate vital cultural components. Additionally, the instructors for these courses usually don't have experience in instructing people for whom English is a second language.
- Language training from ESL schools does not equal communication training.

Just as most corporate communication courses do not offer a culture component, language training from ESL schools doesn't offer the workplace competency components. Both are required for complete and worthwhile development.

It is this situation that creates a sticky floor for immigrant accountants wanting to progress beyond entry-level positions in contrast with a glass ceiling that prevents promotion from above. The challenge is overcoming the communication skill deficiency that has them stuck to a lower level of the organizational hierarchy.

Ignoring the situation will only lead to a weaker and under-skilled industry as the talent pool of candidates with both communication and technical skills shrinks. With increasing frequency, firms will have to choose between competent communication skills or competent technical skills for management positions. Either choice leaves them in a less-than-desirable position of having under-skilled accountants in leadership positions.

Just as big a threat to the industry is the opportunity cost of immigrants with excellent technical skills who waste their potential in lower-level positions. It is frustrating, demoralizing and makes the employee feel unappreciated as they see opportunities for advancement pass them by. This environment leads to retention, productivity and morale issues in the workplace.

Collaborative solution

Neutralizing this threat is going to have to be a team effort with roles for immigrant accountants, firms and the training industry.

Like all professionals, immigrant accountants will need to take the initiative for their career success by focusing on their weakest

areas. For most, this means improving their communication skills. This involves setting aside the necessary time and energy required to participate in training and practice the skills they learn on the job, where it's most relevant. They will have to find the courage to take language risks and to involve their co-workers in their growth if they want to make drastic, lasting and effective changes in their language habits.

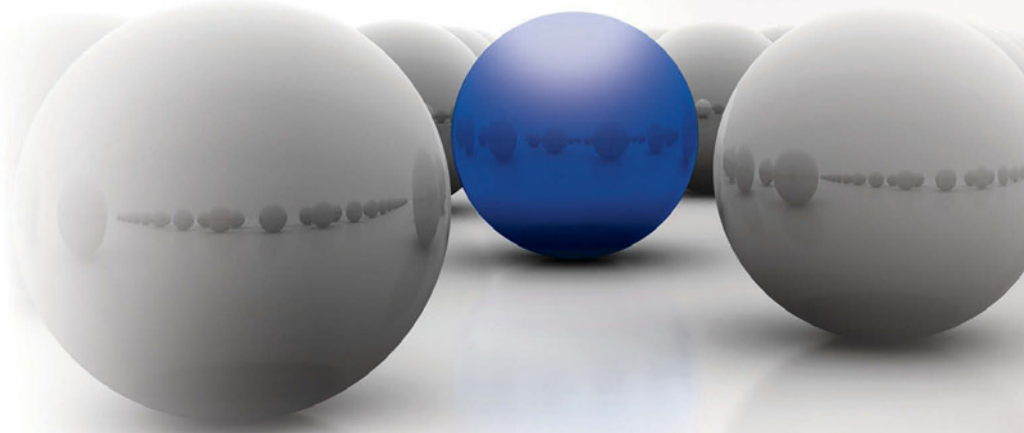
Firms will have to include communication training in their repertoire of professional development activities. Unlocking the potential of this human capital resource requires a dedicated commitment to provide the needed training. Additionally, performance reviews should be assessed as to whether or not effective feedback is given for an employee's language ability as part of the communication skills component. This is the perfect opportunity to brooch the issue with employees and offer suggestions on how they could improve their communication skills so that they're better prepared for more significant roles in the company.

Most immigrant accountants who do not speak English as a first language are missing a key skill set to advance beyond entry-level roles. While competency in the English language contributes to the success of a visa application for skilled workers, there is no minimum level required.

The training industry has to step away from its usual, reactionary practice of developing curriculum. Instead of waiting for corporate Canada to tell them what they want, they should recognize this need, create effective courses that address language and culture issues, and push these courses out to their clients. They will have to look for experienced ESL curriculum designers to work together with accounting subject matter experts to create the accounting-specific material and ESL instructors to deliver these courses.

It's hard to imagine this solution working if only one or two of these stakeholders buy in. Removing this threat will require each party to take some responsibility, initiative and risk. This solution will not occur overnight which means getting started as soon as possible will mitigate the damage the industry will suffer before the communication skills gap is closed. With everyone on board, the sticky floor threat can be eliminated. ■

Dan Johns (djohns@leapesl.ca) is the program manager at LEAP (Language Education for Accounting Professionals) Inc. He has been in the communications-training industry for 12 years and is currently completing prerequisite courses to enter the CMA Accelerated Program in Ontario.



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Canada Revenue Agency

David Blaney, Resource Management Analyst; Janique Caron, Director, Resource and Analysis Division; David Conabree, Manager; Jacquelyn Facette, Manager; Zhi Wei Feng, Resource Management Analyst; Michael Fowler, Manager; Fatmah Ghadban, Resource Management Project Leader; Martin Hébert, Secretariat Coordinator; Wendy Hillier, Senior Strategic Resource Analyst; Jane Mah, Special Advisor; Jeff Ogborne, Senior Strategic Resource Analyst; Pauline Saroufim, Resource Management Project Leader; Shaun Turner, Resource Management Project Leader.

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DIVERSIFYING HUMAN CAPITAL



Most are familiar with the saying, “don’t put all your eggs in one basket.” An accepted axiom in the realm of financial investment, this principle also holds true for investment in human capital. **By Doug Archer**

Creating diversity in the workplace is not a new idea. The Canadian Employment Equity Act — passed in 1986 — requires federally-regulated companies to establish programs that support the hiring and promotion of individuals from diverse ethnic, religious and gender groups. But the demographics of the workforce at large are shifting the concept of diversity in the business place from an admirable social objective dictated by government legislation, to a fundamental condition for staying competitive.

Human Resource and Skills Development Canada predicts that by the middle of the next decade, two-thirds of the working-age population in Canada will be made up of visible minorities, women, aboriginals, and people with disabilities. This changing demographic, compounded by increasing globalization, requires that companies now be able to attract, manage and retain a diverse workforce. Diversity has become a business imperative.

And it is more than simply a case of hiring employees from differing backgrounds. To successfully ingrain diversity in the workplace and leverage the potential benefits of that diversity, an organization must have a program in place that defines its objectives with respect to diversity, builds management buy-in to those objectives, and establishes a framework — that is, policies, processes and metrics — that ensures the objectives are met.

While there is no one-size-fits-all formula for such a program, there are some basic elements that need to be considered in establishing any workplace diversity framework.

Laying the foundation

Leadership commitment. The concept of diversity calls for management at all levels of an organization, but particularly at senior levels, to recognize and espouse the business benefits of a heterogeneous workforce. This is not always easy. It may require

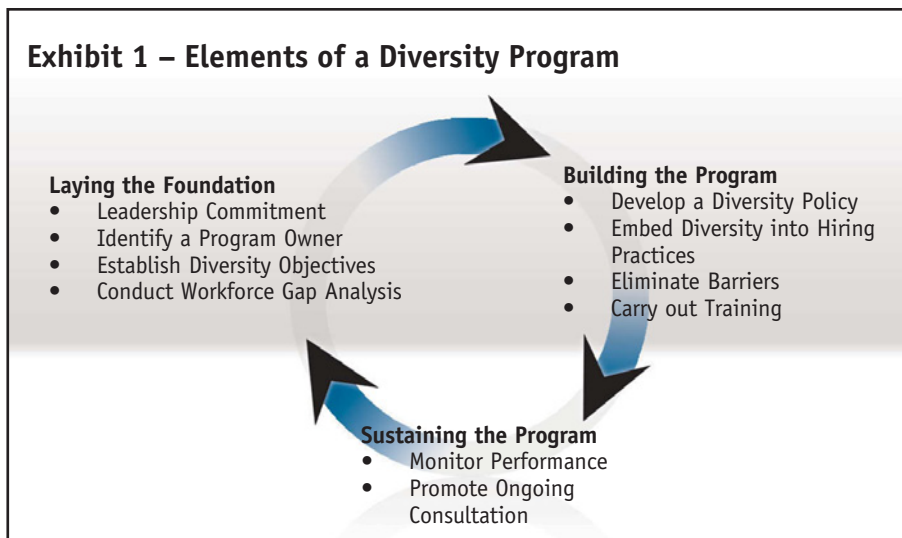
managers to overcome personal biases and develop a sensitivity to gender, ethnic, physical, religious, social and even sexual orientation differences in the workplace. But leading from the top is essential to the success of any diversity program. And while consistent and repeated statements endorsing diversity are important, leaders must also walk the talk. They must put in place diversity policies and practices, and remove obstacles that may stand in the way of creating a diverse workforce.

Program ownership. While accountability for workplace diversity generally resides within the human resources function, it is often seen as an “add-on,” and as a result, does not receive dedicated attention. To create focus and impetus, many companies appoint a diversity officer to develop and maintain their diversity program and promote awareness among

Creating diversity in the workplace is not a new idea.

managers and employees of the value it brings to the business. To ensure the program is given prominence within the company, the diversity officer should report directly to the vice-president of human resources.

Establish program objectives. Fundamental to the development of a diversity program within an organization is the establishment of underlying objectives. What does the company intend to achieve by drawing employees from different backgrounds? It may be to enhance product and service design for ethnocentric, gender-based, or other market segments. It may be to better serve a diverse customer base. Or a corporation may be looking to become a more socially conscious and progressive organization. Whatever the objectives, the program must be built around them if diversity in the workplace is to be an integral part of the way the company does business.



Workforce gap analysis. Within the context of established diversity objectives, it is important to understand the current composition of the workforce relative to the desired composition. Organizations must analyze their workforce data to determine those business areas where further diversification is required. Research and benchmarking can be invaluable at this stage. Reaching out

to organizations that have successfully implemented diversity programs can facilitate the identification of gaps in the diversity practices of one’s own company and be instrumental in developing initiatives to address those gaps.

Looking inward is also recommended. Companies that have engaged their own staff — through interviews or surveys or workshops —

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in the identification and resolution of diversity issues increase internal support for the program.

Building the program

Diversity policy. The cornerstone of a diversity program is a written company policy outlining the organization's vision for a diverse workplace. It makes clear to management, employees, customers and vendors the company's commitment to creating a culture that recognizes and values human differences. The policy sets out the aims and objectives of the company in promoting a diverse workforce and outlines in general terms the business value it will foster.

Hiring/promotion practices. A policy statement on a company's commitment to diversity is mere lip service if the organization's hiring and promotion practices are not aimed at recruiting from varied groups. This may involve the use of agencies that specialize in recruitment from under-represented groups in the workforce; the development of focused recruiting material; or working with colleges and universities that have high enrolment of minority groups. It is important that hiring

practices result in targeted and measurable changes to the composition of the company's workforce.

While the notion of hiring quotas is arguably the most sensitive issue surrounding workplace diversity, without goals and targets an organization is not likely to effectively achieve its diversity objectives. After all, what gets measured, gets managed. While there are any number of methods for establishing diversity goals — for example, legislation requires targets for federally-regulated companies to be based on the demographics of the geographic area from which an organization may reasonably be expected to recruit — the importance of having targets in order to drive progress toward a company's diversity objectives cannot be ignored.

Elimination of barriers. Often there are barriers to achieving a diverse workforce. Not only bias and possibly prejudice — although these can be very real and significant issues in some companies — but physical, language, cultural and gender barriers. To address these barriers, organizations will need to be somewhat flexible. They might have to alter their vacation policies to meet the needs of those of different religions; modify workstations for those with physical handicaps; or provide access to language courses. While each organization will have unique issues depending on their objectives, achieving diversity will always require some level of accommodation.

Training. Although it can take many different forms, case studies show that an iterative, multi-faceted approach to training is generally more successful than a one-time rollout in generating commitment to the vision of a diverse workforce. Basic awareness training can be used to explain the benefits of workplace diversity to managers and the workforce. Ongoing, tailored workshops that focus on specific diversity issues can then be used to embed the program within the company.

Training should be delivered by pre-trained facilitators to not only ensure a common message, but also a consistent approach to addressing possible opposition to the diversity program. Care must be taken to ensure that diversity is presented as an inclusive concept that recognizes the uniqueness of "all" individuals. While a diversity program seeks to create a heterogeneous workforce, it cannot become (or be seen to become) a form of reverse discrimination. Training needs to emphasize this fact and then hiring and promotion practices need to reinforce it.

Sustaining the program

Monitor the program. Assigning managers accountabilities under the diversity program and then measuring their results will drive diversity as a business value. Metrics need to be developed around established objectives — and progress against those objectives assessed at regular intervals — as part of an organization's business performance monitoring process.

Many companies also produce an annual social responsibility report for distribution to employees, investors and customers. It is normally part of a broader diversity communication program, along with company newsletters, websites, etc. The report can highlight key diversity initiatives undertaken

The case for diversity

Countless studies carried out over the past decade show a tangible link between workplace diversity and the bottom line. While business benefits vary in nature, depending on the objectives, challenges and operational context of the organization in question, companies that employ a diverse workforce are better able to thrive in the global marketplace than those with more homogenous demographics.

Companies claim numerous qualitative benefits from creating a heterogeneous workplace, including:

- Improved organizational image with customers, suppliers and investors;
- Access to a wider range of experiences and perspectives for problem solving and product/service development; and
- Enhance understanding of the needs of existing and potential customers across the marketplace.

Beyond these "softer," qualitative benefits, more recent research is beginning to show quantitative, bottom-line results arising from diversity. In his book, *The Difference*, S. Page, a professor of Complex Systems at the University of Michigan, demonstrates that diverse teams consistently outperform their homogenous counterparts in the areas of problem solving, conflict resolution and creativity. And studies carried out by the research entities, Catalyst and McKinsey & Company, show that companies with a higher representation of women in senior management positions financially outperform those organizations with proportionally fewer women in corporate roles.

Although the benefits of workplace diversity are still to be fully measured, there is overwhelming evidence that a well-supported diversity program can enhance business performance.

Creating diversity in the workplace allows companies to capitalize on the unique insights, perspectives, talents and knowledge that are brought to the table when individuals of different genders, races, religions, and other backgrounds, come together to address business issues and customer needs.

during the reporting period and incorporate data on workforce composition and hiring.

Consultation. Just as managers must continually review their business strategies and plans to meet evolving marketplace conditions and customer needs, the objectives and key elements of a diversity program must be continuously re-assessed to ensure the program reflects the company's needs and vision. One means of achieving this is through the creation of a diversity committee. Such a committee can work with the diversity officer and senior management to review the diversity objectives of the company, develop and support diversity initiatives, and provide insight to workplace diversity issues.

It is suggested that the committee be structured on a volunteer basis, thereby encouraging the participation of employees who fully support the concept of diversity in the

workplace. At the same time, every effort should be made to ensure that the composition of the committee reflects the uniqueness of the company's workforce and is itself diverse.

Creating diversity in the workplace allows companies to capitalize on the unique insights, perspectives, talents and knowledge that are brought to the table when individuals of different genders, races, religions, and other backgrounds, come together to address business issues and customer needs. Those companies that can attract, manage and retain a workforce that mirrors the diverse nature of the marketplace at large, put themselves in a good position to compete successfully in the global economy. ■

Doug Archer is the divisional manager, corporate risk oversight and audit division at Bruce Power. He is also chair of the Bruce Power equity and diversity committee.

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Risk management: Back office to the front line

Changes in the Canadian economy opened a window of opportunity to drive accountability for risk management from a company's head office to the front lines, and to link it more closely to performance management systems.

In the aftermath of the global economic downturn, everyone is paying attention to risk management. Not since the Great Depression has an economic crisis been so widespread. Indeed, the velocity with which it swept through every industry and every region is a new phenomenon that companies must consider going forward as they address new market realities.

Business leaders throughout the world were rattled to the core by the crisis. It opened a window of opportunity to drive accountability for risk management from the head office to the front lines, and to link it more closely to the company's performance management systems. Indeed, executives from 250 of the world's largest companies who participated in "Accenture's 2009 Global Risk Management Study," which

was completed last spring, expressed an unprecedented appetite to overhaul corporate risk management processes.

The global meltdown in fall 2008 was a "black swan" event; devastating in scope and impact, and arguably difficult to predict. While it is indeed the business of risk managers to measure risk by assessing its impact and probability, black swans, by definition, are remarkably rare. Conversely, business people of all stripes are routinely driven to increase revenue and profits. They march to the drumbeat of monthly and quarterly reports and the return on investment expectations of their shareholders. As time passes and economies shift into recovery mode, the drumbeat of the routine will increasingly overwhelm the distant thunder of the global downturn.

By David Rombough

Paying greater attention to risk management

There is a cumulative benefit to the local and global economy when individual companies handle risk more effectively. Think of the use of hand sanitizers and frequent handwashing to help combat the H1N1 pandemic. Such behaviour may or may not prevent an individual from contracting the virus, but its widespread adoption may reduce the opportunity for spreading the disease with ripple effects across a population. The same can be said about risk management. As individual companies address risk management, they contribute to stabilizing the overall risk environment, which may translate into more sustainable profits, growth and employment.

Modern companies face a growing set of risks that hardly existed 10 to 15 years ago. Traditionally, risk managers (if they existed within an organization) focused on credit risk, risks associated with capital markets and commodities trading, or country risks arising from direct foreign investment. Today, environmental risk has emerged from significantly higher expectations among customers, shareholders and government for environmental performance. Managing reputation risk also has never been more complex. In an era of stakeholder activism and citizen journalism, in which negative rumours and commentary spread virally on YouTube, Facebook and Twitter, communicating your corporate message and protecting your image requires new skill sets.

With areas such as environmental and reputation risk; rising standards of corporate governance; the legal complexities of intellectual property; mounting protectionist sentiment; concerns about privacy and personal data, the business climate is riskier than ever, yet the risk management function has not evolved to meet these challenges.

Improving risk management

Organizations must move risk management out of the back office and embed it throughout the organization, thereby changing the culture within the organization. Among the survey respondents, only half said they combine risk management at the corporate and business unit level. In Canada, respondents reported that only 25 per cent of a risk manager's time is spent advising business units, whereas 60 per cent is allocated to data analysis, reporting and compliance. This over concentration on back office modeling is a recurring theme.

To achieve the required cultural change, performance management and risk management can no longer exist in corporate silos. In fact, they are two sides of the same coin, held together in a kind of constructive tension that keeps risk and performance in sync while working towards a common goal.

In practical terms, this means not merely looking at revenue growth, but considering the quality of that revenue. It means looking beyond the financial health of suppliers to their ethical practices, and considering how their behaviour might impact your own operations or reputation — and ultimately, your business.

Another example is employee health and safety, which has been traditionally focused on accident prevention. Today, greater emphasis on environmental risks (e.g. ergonomics and air quality) has taken health and safety concerns to new levels in terms of liability and prevention.

But companies also need to understand the limits of risk management and the challenges in valuing its impact. It's easy to measure the effect of a new sales contract on quarterly earnings, but more difficult to measure the financial and reputational worth of avoiding a chemical spill. Yet measuring sales and measuring risk are both important to company success.

Linking performance objectives to risk management

Connecting performance to risk management is the most difficult step, yet it is essential to building a culture that values risk management.

Part of the answer is to look at traditional performance measures through a different lens. For example, attracting new customers has traditionally been rewarded more generously than retaining existing ones. Yet the global downturn has created the potential for a shift in mindset. With growth sharply down and trust in business at its lowest ebb in decades, many industries are adopting the new mantra of customer pull rather than product push. Giving your customers more reasons to stay not only reduces the risk of revenue losses at a time when building market share is difficult and expensive, it also builds long-term profitability.

A company that sees enhanced risk management as better compliance is missing the point and is potentially moving in the wrong direction.

At the same time, companies need to understand who their most valuable customers are and allocate resources accordingly. More attention to measuring and managing the risk of customer attrition, particularly among segments that represent the greatest potential lifetime value to a company, may be an outcome of this downturn that could have lasting benefits for both consumers and companies.

Sectors benefiting from enhanced risk management

The oil and gas industry comes to mind. The wild swings in commodity prices over the last 18 months are only the tip of the iceberg in terms of the risks the industry regularly manages. Environment risk has been a growing concern for decades, with climate change now in the forefront. For oil sands operators in particular, reputation risk is a growing threat. The effort by industry opponents to portray oil sands

To achieve the required cultural change, performance management and risk management can no longer exist in corporate silos.

output as “dirty oil” is merely the latest salvo in a sustained global attack on the industry’s reputation.

Oil sands executives have clearly embraced the risk and are responding by actively engaging stakeholders and communicating their side of the story. For this industry, it has become evident that reputation issues are as important as commodity prices to their future development, and that managing this risk is a top priority.

A company that sees enhanced risk management as better compliance is missing the point and is potentially moving in the wrong direction. The risk management survey shows this is especially relevant to the Canadian business community, where 60 per cent of risk managers’ time is spent on data modeling and compliance. Compounding the problem is the fact that Canadian companies are in the midst of converting

to IFRS requirements and dealing with the additional level of regulatory scrutiny this entails.

Canadian risk managers need to step back from the pure compliance aspects of their jobs and get more involved in supporting day-to-day decision making. The function itself must become integral to strategic planning and be a better partner with other business units like sales, marketing, production, and customer support. That is the opportunity before them in today’s environment: to embed themselves more deeply into the business.

Checklist for Canadian companies looking to improve risk management

- Get risk management out of the back office and on to the front line.
- Integrate the risk management across the company.
- Make it personal and real for every employee.
- Understand the limitations of risk management and how to measure its value to your business.
- Understand the dynamic relationship between performance management and risk management, and integrate risk management into strategy and performance management structures. ■

David Rombough is a partner at Accenture Canada and head of the firm’s finance and performance management practice.



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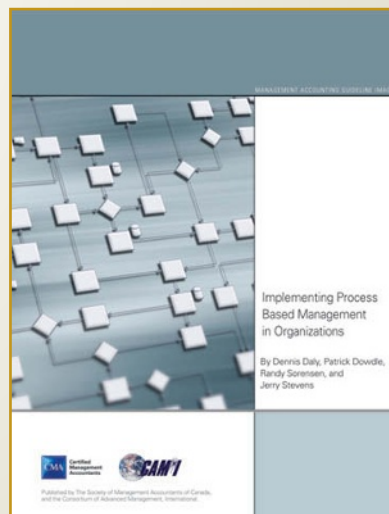
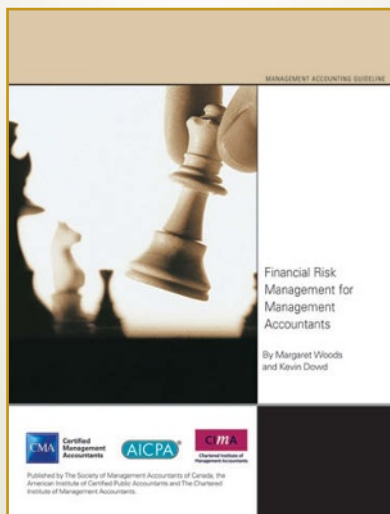
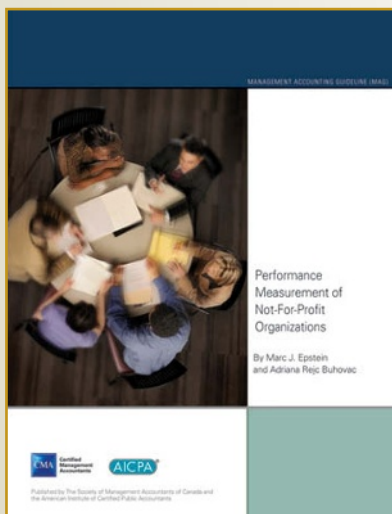
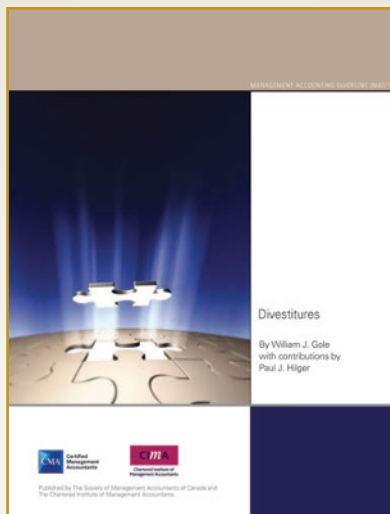
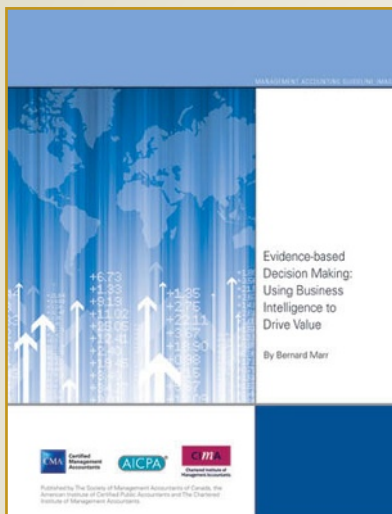
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Driven by desire

Aklilu Mulat, CMA, FCMA, and his team
bring hope to the world's poorest families

By Arda Ocal



“ I was in a café in Vancouver around 1984 while doing my undergrad at Trinity Western University,” Aklilu Mulat, CMA, FCMA, recalls. “The famine in Africa, particularly in my home country of Ethiopia, was a hot issue. The song, ‘We are the World’ was growing in popularity

and fundraising efforts were happening all over the globe. I was sitting at the café talking to a fellow Canadian. He asked me where I was from, and after that, we started talking about famine. He looked at me and said, ‘Well, you are obviously enjoying your life here (in Canada), what are you doing for your people back home?’ Even though I knew he was being ignorant, his comments still hit home. I knew that many large and small relief and development organizations were supported by people who were not necessarily wealthy. Supporters of these organizations, many of them on fixed incomes, had gone out of their way to help those in need. That’s when I asked myself, ‘What am I doing? Am I simply looking out for myself?’ ”

That simple question from a stranger in a café was the tipping point which eventually led Mulat to devote his career to help others in need.

Born and raised in Ethiopia, Mulat was no stranger to the harsh realities of the third world. His father also devoted his life to the not-for-profit-sector, running over 70 public health clinics in central and southern Ethiopia funded in part by international organizations and the Ethiopian government. Witnessing poverty growing up in Ethiopia, coupled by his father’s relief efforts with famine, were Mulat’s first experiences helping the less fortunate.

Mulat completed his degrees in natural science and business administration from Trinity Western University and joined HOPE International Development Agency — an organization dedicated to helping the developing world, by teaching income generating skills and building community infrastructure — as an entry level project officer where he prepared draft project proposals and monitored reports. He was immediately drawn to HOPE’s objective – extend compassion to the neglected poor around the world. The work that HOPE was doing suited Mulat nicely.

“HOPE does charity work in Central and South America, South Asia and South East Asia,” he says. “Our primary focus of work is water. The belief is that everything starts with water — make it healthy, accessible, for everyone to drink and use,” he adds.

Specifically with water projects, HOPE will go to water sources, cap the spring before the water is exposed, find a practical way to send water to storage, and distribute it to different target points. Access to potable water is also key — for many in poorer countries, much of their time is spent travelling to and from fresh water sources.

HOPE currently has projects in 18 countries and has an annual budget of \$25 million. Mulat says HOPE recognizes that people in different countries have different needs. He says that, although designing programs to address varying needs around the world is a constant challenge, it gives the team at HOPE an opportunity to think creatively.

“We have developed some cool micro credit programs,” he says. “One of the unique programs we currently have is in Cambodia. We call it the ‘Cow Bank.’ Instead of money, we’ll lend a cow to a family. Once the cow gives birth to a calf, the family keeps the calf and returns the cow to their local micro credit association.”

Mulat served in various administrative roles with HOPE. While he transitioned into different roles, he saw value in pursuing the CMA designation.

“My natural science degree had a math minor, and I naturally had a love for math,” he explains. “My desire in life, at first, was to become an engineer, but I had no love for the lab, nor did I want to be stuck in one. A colleague in senior management said I should give the CMA accreditation program a try, and I haven’t looked back since.”

Upon obtaining the CMA designation, Mulat left HOPE in 1996 and moved around the corporate world. He formed his own consulting firm with Jeff Kroeker, CMA, FCMA; worked as the director of finance at Northwest Baptist College; and held the role of executive vice-president at Arrow Leadership where he trained leaders in the NPO sector. Through all of these professional changes, his desire to help the world at the grassroots level grew stronger. In 2008, Mulat decided to rejoin HOPE as chief operating officer. But as Mulat explains, even during his career changes, HOPE was always a part of his life.

“I initially left (HOPE) because the organization was undergoing restructuring which I supported,” he says. “Many organizations like HOPE are volunteer in nature. I continued to help the organization while I was pursuing other opportunities.”

More recently, HOPE helped with relief efforts after the earthquake in Haiti – the largest to strike the country in 200 years – by supporting hospitals with medical supplies.

Through dedicating his professional life to not-for-profit work, Mulat sees the direct correlation between the NPO sector and the CMA designation.

“A lot of qualified people with different skills are already helping in the non-profit sector. The sector needs people with strong management and leadership skills to coordinate the most efficient utilization of resources,” he says. “Trying to put these skills together in a way that inspires and motivates people is a challenge. For me, the CMA designation became a catalyst for transformation.”

One concern Mulat shares with those who work in the NPO sector is that many people do not realize the amount of work that is required to change even one life.

“The NPO sector needs people who have a high degree of exposure to the problems of the Third World, are

sympathetic and are equipped with the right skill set to make strategic resource decisions,” he adds.

More recently, HOPE helped with relief efforts after the earthquake in Haiti — the largest to strike the country in 200 years — by supporting hospitals

with medical supplies. Mulat explains the logistical challenges of bringing essentials to suffering people at the heart of the tragedy.

“We were able to provide supplies within days because we immediately established a route through the

Dominican Republic, where we also do work,” he explains. “Medical supplies that were destined to the Dominican Republic were redirected to Haiti. Sometimes, we have to be very creative getting the supplies to the people who need it the most. When the port is destroyed and the airport is chaotic, ‘how do you get into the city?’ The creative solution was trying to find a land route to get supplies to these people. We are supporting two hospitals in Haiti and are now looking at supporting a third.”

Mulat’s dedication to helping others has paid off and has not gone unnoticed. In October 2009, he received his FCMA — a national honorary designation that is awarded to CMAs who, through their outstanding achievements, bring distinction to the profession and serve as role models for others.

“I was actually invited to apply,” he says. “Other people saw the value in what I was doing. I’ve taught managerial accounting with CMA’s Accelerated Program, courses for an MBA/CMA program; managerial accounting at The Sauder School of Business at the University of British Columbia; and I’ve been a moderator in the Strategic Leadership Program since 1998.”

Mulat, a self-proclaimed promoter of the designation, says he values the designation because of the skill set one develops during the accreditation process and the credibility it brings to any work environment.

“It is a very powerful designation,” he says. “It brings an aspect of technical know-how of accounting and matches it with management and leadership. It’s at the heart of everything I aspire to do and be. I believe it has made a huge difference for me personally in terms of being able to think and act strategically and being an effective leader in my field of work.” ■

Arda Ocal is a Mississauga, Ont.-based writer and on-air personality with Rogers TV.



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Lessons for directors and officers: ISO:31000: The new gold standard in managing risk

Thanks to the culmination of years of work led by Australian, Canadian and many other global risk authorities, the world now has a blueprint on how to start and continue managing risk.

By Stephen Mallory

Following the apex of the financial crisis, directors and executive communities have focused much attention on implementing formal risk management processes. One obstacle has prevented rapid progress: not knowing where to start. Now, with the introduction of a new, straight forward global standard adaptable by all organizations, there should be no excuses for delaying.

Following the apex of the financial crisis, directors and executive communities have focused much attention on implementing formal risk management processes.

“It can be argued that the global financial crisis resulted from the failure of boards and executive management to effectively manage risk,” Kevin W. Knight, chair of the International Organization on Standardization (ISO) working group that developed the standard, says. “ISO:31000 is expected to help industry and commerce, public and private, to confidently emerge from the crisis. (It) can be applied throughout the life of an organization, and to a wide range of activities, including strategies and decisions, operations, processes, functions, projects, products, services and assets.”



Thanks to the culmination of years of work led by Australian, Canadian and many other global risk authorities, the world now has a blueprint that will simplify the decision on how to start and continue managing risk. Boards that adopt this new standard can demonstrate to stakeholders and shareholders that they’ve chosen a best practice adopted by many significant world-wide organizations. For example, the Treasury Board of the Federal Government of Canada has referenced this standard for its constituent crowns, agencies, boards and other entities. Many other public and private firms are now jumping on board.

Part of the problem in the past that resulted in slow adoption of formalized risk management has been the dizzying array of options available to organizations. While Canada’s CICA introduced “COCO” several years ago, many North American firms embraced the “COSO” framework created by the Committee of Sponsoring Organizations of the Treadway Commission. Organizations outside of North America have



preferred the AS/NZS 4360 framework originated in Australia and New Zealand. Further, large accounting and insurance firms have complicated the landscape by creating their own standards, and consultants continue to offer hybrids which are industry specific.

Canada's contribution to the new standard has been significant. Awad Loubani, the chair of the Canadian Standards Association (CSA) Technical Committee on Risk Management notes that "although much of the new standard is based on the AS/NZS 4360 framework, the Canadian delegates to the ISO Working Group of Experts worked with delegates from other countries and succeeded in adding two front-end pieces, the framework for risk management and the guiding principles." Loubani adds that "the significant input from the Canadian team into the creation of the ISO:31000 allowed for us to put forward many of the unique needs of our country, thereby making this standard a very appropriate best practice for adoption by Canadian organizations."

All standards have pros and cons, and while the ISO:31000 is regarded as state-of-the-art, "design and implementation of risk management will continue to take into account the specific needs of an organization," ISO advises. In other words, ISO:31000 is a generic risk management standard not intended for certification. In using this surprisingly brief 24-page document as a guideline, each organization will need to customize its risk process to its own needs. "If you successfully implement all 11 principles contained in ISO:31000 you will achieve effective risk management," Chris Peace, principal consultant of Risk Management Limited and former deputy chair of the New Zealand Society for Risk Management, adds.

Risk Management should be implemented primarily to improve organizational performance. Loubani adds that organizations which adopt formal risk management practices will realize benefits well beyond those contemplated in reaction to adverse economic conditions. "In order to maximize the value proposition of any organization, if not to ensure its survival in the current turbulent economic conditions,

organizations should ensure that they have in place an effective risk management program by developing, implementing and continuously improving a framework with the objective of integrating the process for managing risk into the organization's overall governance, strategy and planning, management, reporting processes, policies, values and culture of the organization."

To support the new standard, ISO has also published ISO Guide 73:2009 Risk Management — Terminology, which complements ISO: 31000 by providing a collection of terms and definitions relating to the management of risk.

To support the new standard, ISO has also published ISO Guide 73:2009 Risk Management — Terminology, which complements ISO: 31000 by providing a collection of terms and definitions relating to the management of risk. Further, ISO/IEC 31010:2009 Risk Management — Risk Assessment Techniques, provides guidance on selection and application of systematic techniques for risk assessment.

ISO: 31000 has been adopted as a National Standard of Canada through the CSA. CAN/CSA ISO: 31000 will be available in early 2010. CSA is also developing a new edition of its existing risk management standard to supplement this global standard. CSA Q850-10 Risk Management – Implementation of CAN/CSA ISO: 31000 will provide further guidance to implementing the global standard for Canadian organizations. CSA Q850-10 will be available by August 2010. CSA is currently developing training programs and tools to assist organizations in adopting the CAN/CSA ISO: 31000 and these will be available in early 2010. For more information visit the CSA web site www.csa.ca.

Your action:

1. Define your board and executives' risk related responsibilities via the audit committee charter or similar guidance;
2. Formalize your organization's management of risk by adopting a risk framework on which you can base your risk related activities;
3. Customize your activity to correspond with your particular risk imperatives, your industry and your key strategies;
4. Utilize in-house or out-sourced expertise to assist in implementation;
5. Consider your risk framework as a charter to steer the on-going and evolving practice of risk management within your organization. ■

Stephen Mallory is president of Directors Global, a professional services firm dedicated to counselling organizations on managing risk and on placing directors and officers and other commercial P&C insurance.

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A walk in the clouds

Cloud computing is used today by several organizations, yet there are differing views about what it can do for businesses.

By Doron Kaminski

Today, there really is no reason for a company to store its corporate data locally. With secure and relatively inexpensive technologies available for both access to data and redundancy, “the cloud” is good business sense for both small and large organizations.

The cloud is really another name for the Internet. Cloud computing means data and applications no longer need to be held on servers within the four walls of a company’s corporate office. Instead, they can be transferred to a remote, secure and scalable off-site location. The amount of resources a typical company requires to maintain their computer infrastructure varies. Some choose to keep their IT management in house, while others prefer to partner with a third-party IT specialist to manage and direct corporate IT from top to bottom.

The cloud offers the peace of mind that your company’s IT infrastructure will be managed by experts and your data and software applications will be held in a highly secure environment. The security ranges from physical building security, equipped with security guards, biometric access, fire retardant environments, and power failure backup that can operate for weeks without hydro, to IT security measures to help mitigate threats from the outside world by using sophisticated firewall and anti-virus technologies. Most equipment in a data centre should be highly redundant, meaning that if a particular element fails within the infrastructure, the data remains intact and you still have full access to your software applications and information in the unlikely event of a failure.

These redundancies include, but are not limited to, multiple drives in a RAID (redundant array of



independent disks) environment, which is a way of storing the same data in different places. When drives fail, all data remains intact and accessible. The purpose of multiple routes to the Internet means that, if one Internet supplier has a failure, the second or third supplier in the data center will pick up the access seamlessly. Depending on the cloud partner, backup may be taken to the next level where true data vaulting and archiving takes place, and the data is backed up at a secondary location to further ensure business continuity as part of a disaster recovery plan.

There are many services available in the cloud. Many companies such as Amazon, Google, Microsoft, Salesforce and others, offer a variety of cloud services. These companies supply application and/or software as a service (SaaS) through the Internet. Other services available in the cloud are voice (such as complete telephony products that are fully managed), fax, backup and firewall security services.

Imagine being able to access your work securely from anywhere in the world on any device at any time. Your office can function from any location that has Internet connectivity. If your organization is provisioned in the cloud and includes voice as a service (VaaS), you will be able to answer the office phone from a physical IP phone or a software phone with a USB or bluetooth headset on your notebook, regardless of your location.

Accounting firms and forward-thinking management accountants are starting to see the value of cloud computing. The ability to work remotely



from a client's place of business is a huge advantage. Management accountants no longer have to be tied to the office – cloud computing allows the office to travel with you.

The busiest time of year for most accounting firms is tax season. During this period, firms usually increase their employee head count significantly. Computer systems, software and phone systems must be provisioned for these employees. It would be much easier if one could e-mail a request to your company's cloud partner with a list of names of new temporary employees. Everything required would be configured in minutes; including all security credentials. When these employees leave, the software licenses are returned and no further charges are incurred.

Before deciding to move into the cloud, a complete analysis of processes and requirements must be performed by both you and your cloud partner, to determine any potential issues or incompatibilities that may occur.

When using SaaS, the savings are immediate. Rather than purchasing the required software, the software is rented on a monthly basis. When there is an increase in users during a specific period, the company only pays for its use during the required time. If a company downsizes, they no longer have to pay for the software licenses that were used by previous full-time or contract employees.

Advantages of cloud computing

- Lower computer costs. Since applications run in the cloud and not on the PC's desktop, you no longer need high-powered and expensive computers in your office.
- Improved performance. With fewer memory intensive programs eating away at your computer's memory, you'll see better performance from your PC.
- Reduced software costs. Instead of purchasing expensive software applications, you can pay for your software on a monthly basis, rather than committing to an expensive purchase.
- Software updates for SaaS products are no longer an issue. Updates usually happen automatically and

upgrades do not cost any more than what you are already paying for on a monthly basis. Obsolete software is a thing of the past.

- Virtually unlimited storage capacity. Cloud computing offers almost limitless storage. Your computer's current 120 gigabyte drive is nothing compared to what is available to you in the cloud. Also, your storage requirements can be increased or decreased at any time.
- Increased data reliability. A computer crashing in the cloud should not affect the storage of your data. This also means if your PC crashes, all your data is still secure and available in the cloud. In a world where few individual PC users back up their data regularly, cloud computing is the ultimate in safe keeping data.
- Document access. Have you ever left work and realized that you left an important document at the office? This is not a problem with cloud computing, because you don't have to take your documents with you. They stay in the cloud, and you can access them whenever you have a computer and an Internet connection.
- You are no longer attached to a single computer or network. If you change computers, your existing applications and documents follow you through the cloud. Move to a portable device, and your applications and documents are still available. Whether you are using Windows, MAC or a Linux operating system, your information is a few keystrokes away.

The downside to cloud computing

Although there are many advantages to cloud computing, it is important to be aware of some of the disadvantages.

To access the cloud, you need access to the Internet. Without this access, you cannot use your files. The recommendation to avoid issues with Internet downtime is to install two redundant Internet connections at the corporate office. These connections must follow separate paths so that, in the event that one line is not functioning, the other line seamlessly replaces it. For those traveling and using a notebook, Internet access can be obtained via wireless WiFi as well as cellular connectivity using simple devices connected to your notebook.

Some software and a few software features may not perform well in the cloud. Before deciding to move into the cloud, a complete analysis of processes and requirements must be performed by both you and your cloud partner, to determine any potential issues or incompatibilities that may occur. Security may be an issue, so prior to any decision on the choice of a cloud partner; full disclosure on how security is maintained by the provider should be discussed.

Cloud computing is not for everyone, however, it is gaining momentum and there are definite advantages for many companies to start testing the waters. Corporations interested in cloud computing can test it out before switching over. Many service providers offer limited trial offers, so that if the fit is not there it is easy to revert back. ■

Doron Kaminski (dkaminski@insite.ca) is vice-president and COO at Insite Computer Group Inc. In addition to directing operations and developing strategic initiatives, Doron is also an expert in cloud computing and virtualization within the financial sector.

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