

FOR STRATEGIC BUSINESS IDEAS

www.managementmag.com



Management

DECEMBER/JANUARY
2009 \$5.50

Michael Tinkler, CMA, FCMA,
chair, CMA Canada National
Board of Directors

Breaking into new frontiers

CMA Canada's new board chair
wants to strengthen
international initiatives

**The benefits of frequent visits
from the tax auditor**

**Why deals fail – how to overcome
negotiating challenges**



Athabasca University 

CENTRE for INNOVATIVE MANAGEMENT

A new level of possibilities for CMAs. The AU Executive MBA builds on the CMA foundation of financial expertise and strategic leadership, and broadens your knowledge and understanding in critical management areas like strategy, human resources, marketing and operations. And with our online flexibility, you can advance your career without putting it on hold. Rise further faster with the Executive MBA that has been ranked one of the best in the world by the *Financial Times* of London.

AU Executive MBA. Today's way. 1-800-561-4650. www.mba.athabascau.ca

Economic challenges

As news about the global financial crisis thickens, it's no wonder that the word "bailout" took home honours as Merriam-Webster's Word of the Year for 2008. As defined in Merriam-Webster's Collegiate Dictionary, Eleventh Edition, bailout is "a rescue from financial distress." It's suggested that the word gained popularity during the U.S. presidential debates, and has since made its way into headline news as a possible solution for companies grappling with economic uncertainty. In our own country, the word "bailout" is synonymous with the struggling auto sector — an industry that, during press time, the Conference Board of Canada says could lose approximately 15,000 jobs by 2009.

"There's something about the national psyche right now that is looking up words that seem to suggest fear and anxiety," John Morse, president and publisher, Merriam-Webster, says. Are our fears justified?

According to the Organization for Economic Co-operation and Development (OECD), an organization representing 30 developed countries, the number of unemployed in OECD countries is expected to rise by 8 million people over the next two years as the most serious recession since the early 1980s takes its toll on economic activity.

In Canada, the economic downturn that started in 2007, as exports slowed in response to the deflating U.S. housing bubble, continues to worsen. The OECD reports that, deteriorating conditions in global financial markets, softness in the U.S. economy and receding commodity prices are amplifying export weakness and dragging down domestic spending. Output has been contracting since August 2008, and slack is projected to grow until the global financial crisis has run its course and external demand bounces back in 2010. The Canadian banking industry and housing sectors are in good shape, however, and no government bailouts have taken place. Should the government single out struggling industries for a financial bailout to help rebuild them back to profitable enterprises? Bailouts are an effective solution as long as it achieves its intended purpose. There's fear, however, that companies may take the cash but fold anyway. We want your feedback. How is your company dealing with the current economic situation? As a CMA, what are some of your biggest challenges? What should our government do to help struggling industries?

In August, our readers were invited to participate in *CMA Management's* 2008 Reader Survey. This year, over 3,500 readers participated and provided useful comments to help *CMA Management* continue to be your magazine of choice. I'd like to congratulate Marilyne Thiffault, CMA, as the winner of the 2008 Reader Survey. Enjoy the iPod touch, Marilyne! As we approach a new year, I'd like to encourage CMAs to make 2009 the year to get involved with your magazine. Your comments, suggestions and article submissions are always welcome.



Andrea Civichino
Editor-in-Chief



Publisher Suzanne K. Godbehre
Vice-President, Public Affairs and
Communications
(905) 949-3106
sgodbehre@cma-canada.org

Editor-in-Chief Andrea Civichino
(905) 949-3109
acivichino@cma-canada.org

Art Director Sean O'Rourke
(905) 949-3132
sorourke@cma-canada.org

**Translation and
Co-ordination** Joanne Beauchamp
Hélène Arseneault
(514) 878-1105

Advertising

**National
Advertising Sales** **Dovetail Communications Inc.**
30 East Beaver Creek Road
Ste. 202
Richmond Hill, ON
L4B 1J2
Phone: (905) 886-6640
Fax: (905) 886-6615
www.dvtail.com

Sales Manager Beth Kukkonen
bkukkonen@dvtail.com

Account Manager Robyn Cooper
rcooper@dvtail.com

President Susan A. Browne
sbrowne@dvtail.com

Insertion orders and advertising materials are to be sent to: Crystal Himes
chimes@dvtail.com Dovetail Communications Inc., 30 East Beaver Creek
Road Ste. 202, Richmond Hill, ON L4B 1J2, Fax: (905) 886-6640

Circulation and Administration

For general inquiries, change of address notices, etc. please call:
Liliane Kenyon (877) 262-6622
lkenyon@cma-canada.org

Subscriptions Member: \$15.00 (plus GST)
Non-members: \$15.00 (plus GST)
U.S. and overseas: \$40.00 (U.S. funds only)

Undeliverable Mail

Canada Post: send undeliverable copies to:
CMA Management
One Robert Speck Parkway, Suite 1400, Mississauga, ON L4Z 3M3
email: info@cma-canada.org
Telephone: (905) 949-4200
PM 40064728
PAP Registration No. 9858

CMA Management is a member of the Canadian Circulations Audit Board/Business
Publications Audits International (CCAB/BPA)
Indexed in Canadian Periodical Index ISSN 1490-4225.
Issue Date: December/January 2009

CMA Management is published monthly, except December-January and June-July,
August-September (combined issues), by CMA Canada. If you no longer wish to
receive this publication, please contact CMA Canada.

Articles prepared by individuals associated with organizations advertising in CMA
Management provide generic information on business topics, and do not promote
specific products or services.

Products and services identified in CMA Management are neither sponsored nor
endorsed by CMA Canada or its affiliates. For more information on these products
and services, readers are encouraged to contact the advertisers directly.

Opinions expressed are not necessarily endorsed by CMA Canada. All rights
reserved. No part of this publication may be reproduced, stored in a retrieval system
or transmitted, in any form or by any means, without the prior written consent of
the publisher or a licence from The Canadian Copyright Licensing Agency (Access
Copyright). For an Access Copyright Licence, visit www.accesscopyright.ca or call toll
free to 1-800-893-5777.

We acknowledge the assistance of the Government of Canada through the
Publications Assistance Program toward our mailing costs.

Printed in Canada by Web Offset Publications Ltd., Pickering, ON.

Canada



CMA Management

Features



20 Why deals fail

Virtually every private business must deal with the matter of ownership transition at some point. For many owners, their business represents a lifetime's worth of hard work and a significant proportion of their personal net worth.

By Chris Polson, CMA

26 The corporate governance role of strict tax enforcement: can a visit from the tax auditor save your company money?

Active monitoring by tax authorities protects the interests of outside investors by disciplining company insiders against depriving them of their fair share of earnings.

By Jeffrey Pittman, CMA



30 Reform in the governance and responsibility management systems in China's hospital sector

In-depth report:

Since the 70s, economic reform has brought prosperity to China and wealth to its people; however, it has also caused the collapse and breakdown of China's health system in the 80s, resulting in inequity in access to and use of health services.

By Yee-Ching Lilian Chan, FCMA



38 PROFILE Breaking into new frontiers

CMA Canada's new board chair, Michael Tinkler, says 2009 will be the year to strengthen international initiatives.

By Andrea Civichino

Cover Photo: Dwayne Brown

Columns

12 Human resources



2009 hiring outlook for accounting and finance. Canadian finance and human resources managers report difficulty finding experienced accounting candidates.
By Emilie Dunnigan, CMA

15 Management trends

Financial forecasting accuracy: data, systems, techniques and context. Accuracy of financial forecasting is essential for effective management and stakeholder confidence in any organization. Accuracy is usually defined as within five per cent under or over forecast. Most enterprises are not there yet.
By Daniel Zbacnik, FCMA



18 Business strategies



Managing risk in a customer-driven economy. Risks can be managed and CMAs are, perhaps, best positioned to shed light on customer experience management in strategic, proactive organizations.
By Chris Fawcus and Syed Hasan

41 Money management

Certain individuals and companies affected by anti-laundering legislation. Although new anti-money laundering laws have been instated, the consensus is it's business as usual for many industries.
By Arda Ocal



43 Information technology



Converting strategy to implementation. Using a common software tool to help companies get "there" from "here."
By David Kelly, CMA

48 Government issues

Bulking up the c-suite in government. A key recommendation is to place CFOs in government departments and agencies.
By Alan Young



52 Global view



Celebrating 100 years of international achievement. Some birthdays are just bigger than others. One hundred years certainly counts as a major benchmark, and in Ottawa, none will be celebrated with more cross-country enthusiasm than that of the Department of Foreign Affairs and International Trade Canada (DFAIT), which turns 100 on June 1, 2009.
By John Cooper

Departments

6 Media bites Solving organizational challenges

- 1 How the Wise Decide
- 1 Strategic DNA
- 1 Perfect Power



8 News and views

New and noteworthy information you can use

- 1 Private companies in Canada playing the long game despite economic uncertainty: PwC study
- 1 No single model ideal for sustainability

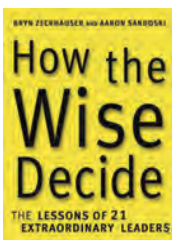
Next issue:

- 1 The role of the controller



Solving organizational challenges

How the Wise Decide



How did Shelly Lazarus assess the risks of making a non-traditional career move, a decision that eventually led her to being appointed CEO? How did Stephen Schwarzman and Peter Peterson, the founders of The Blackstone Group, turn \$400,000 of their own money into one of the world's pre-eminent alternative asset managers with \$100 billion under management? Bryn Zeckhauser and Aaron Sandoski discovered the formula used by 21 of the world's most extraordinary leaders to make consistent and smart decisions. Their book, *How the Wise Decide*, is the product of a three-year quest to discover how people ("the wise") with remarkable success and experience in both corporate and public life went about making critical business decisions.

"Making great decisions isn't easy," the authors write. "Yet the cumulative decisions we make will largely determine our success. The fact that over 80 per cent of new products fail after launch and over 50 per cent of mergers and acquisitions destroy more value than they create is a testament to how difficult it is to make and implement decisions in business today."

Bryn Zeckhauser and Aaron Sandoski. Published by Crown Business.

Perfect Power



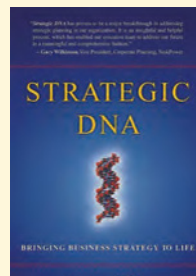
Robert Galvin and Kurt Yeager have a powerful wake-up call for the entire energy industry. Electronic usage is rising. Fuel costs are rocketing and blackouts are happening more frequently. *Perfect Power*, an informative read for investors, entrepreneurs, homeowners and environmentalists, offers new solutions,

investments and job opportunities that address the biggest energy problems North Americans face today, including how to:

- 1 Meet the rising demands for more electricity;
- 1 Create "perfect power" that will withstand hurricanes, blackouts, terrorism and technical malfunctions;
- 1 Implement clean, "green" alternatives by tapping the smart microgrid revolution;
- 1 Live "off the grid" and become energy self-sufficient; and,
- 1 Identify and invest in exciting new companies and technologies.

Robert Galvin and Kurt Yeager with Jay Stuller. Published by McGraw Hill.

Strategic DNA



The best managers ensure that the decisions and actions taken by their business are all connected to the same overall strategy. Managers who fail to do so squander time, money and resources on unimportant tasks, and then try to correct the

problem with new plans and methods. Some of these solutions are worthwhile in their own right, but they too will inevitably fail if they're not connected to the organization's other decisions and actions.

Strategic DNA helps readers build the vital connections their business needs to bring its strategy to life. Author Lawrence Hobbs explains how to unite managerial activities and focus strategies for maximum effect using alignment-building methods that retain the discipline needed to stay on course. Crammed full of insights and tricks of the trade, *Strategic DNA* is an invaluable guide to making management investments pay off in a strategy that works — and keeps working.

Lawrence Hobbs. Published by Agate Publishing.



SPECIALISTS IN OPENING THE RIGHT DOORS FOR THE RIGHT PEOPLE

Calgary
(403) 269-HAYS

Edmonton
(780) 469-HAYS

Kitchener
(519) 772-1000

London
(519) 850-HAYS

Mississauga
(905) 848-HAYS

Montreal
(514) 788-HAYS

North York
(416) 223-HAYS

Ottawa
(613) 288-HAYS

Toronto
(416) 367-HAYS

Vancouver
(604) 648-HAYS

Wherever you're going in life, knowing the right people can help you get further – faster and more easily. As a global leader in specialist recruitment, Hays Accounting & Finance has the in-depth expertise and the local, regional, and national networks to make connections between the right candidates, the right employers and the right opportunities.

Every year, we place thousands of people in temporary, contract, and permanent roles at thousands of employers. Each appointment is made possible by our specialist consultants, who build enduring relationships with clients and candidates alike.

Get to know the right people
visit www.hays.ca
call 1-866-420-HAYS or
contact your local Hays office



News and views

New and noteworthy information you can use

Private companies in Canada playing the long game despite economic uncertainty: PwC study



A PricewaterhouseCoopers (PwC) Business Insights Survey 2008 suggests private companies are sticking to their long-term strategies and taking a measured approach, despite a downturn in markets and fears of a worsening economy. While confidence has fallen sharply and a third of private companies expect business to get “a lot” or “a little worse,” the majority continue to build plans that will offer growth and expansion even in uncertain times.

In 2007, 77 per cent of Canada’s private companies expected business to get “a lot” or “a little better” in the

next 12 months. In July of this year, the number had fallen to 68 per cent, and by October, when private companies were resurveyed to reflect on the current state of the economic crisis, only just over half the respondents echoed the same confidence.

“While confidence is down it is by no means out,” Eric Andrew, PwC’s private company services Canadian leader, says. “Canadian private companies are dealing with what the market is throwing at them. Unlike U.S. counterparts, where until recently high consumer spending and resulting growth conditions south of the border made doing business a smoother ride, Canadian companies have been more cautious and had to work harder to refine and develop their businesses. This means when we hit bumps in the road, we tend to be better capitalized, and better prepared to deal with change.”

But despite all the gloom and doom reported in the world media, growth and expansion is the main strategy for over half the respondents.

“The good news is private companies across Canada are well-positioned for future growth and proceeding cautiously with their plans,” Andrew says. “Business leaders should be always thinking long-term, about what they need to do to build their companies into the next decade, as well as the next quarter. That’s what creates real competitive edge.”

For more information on the survey, visit www.pwc.com/ca/businessinsights.

We welcome your comments and article ideas

Please write to the Editor,

CMA Canada
Mississauga Executive Centre
One Robert Speck Parkway, Suite 1400
Mississauga, Ontario, Canada L4Z 3M3

Fax: (905) 949-0888
email: acivichino@cma-canada.org

Management

Editorial Think Tank

Anthony Atkinson, CMA, FCMA
Professor, University of
Waterloo, Waterloo, ON

Pierre-Jean Dion, CMA, FCMA, M.Sc.
Executive Consultant and
Associate, Optima Management
Inc. and President of the CMA
Observatory of Management
Accounting Practices,
Montréal, QC

Clare Isman, CMA, FCMA
Chair, Saskatchewan Public
Service Commission, Regina, SK

Lynda Kitamura, CMA
Vice-President, Finance &
Administration, and CFO,
Hewlett Packard (Canada) Co.,
Mississauga, ON

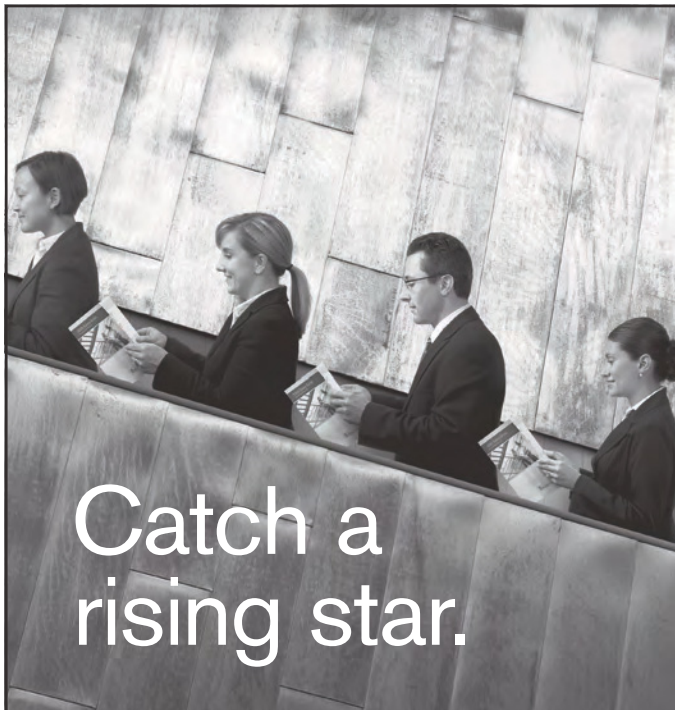
Glen LeBlanc, CMA
Senior Vice-President and CFO,
Aliant Inc., Halifax, NS

John Mould, CMA, FCMA
Ombudsman, HSBC Bank Canada,
Vancouver, BC

No single model ideal for sustainability

Although policies such as recycling of waste and improvements in energy efficiency have become worldwide, companies are still grappling with how to structure their programs to ensure they are effective in delivering on their sustainability goals, while also meeting key financial benchmarks. One dilemma is whether programs are best run regionally or globally. *Sustainability Across Borders*, a new report written by the Economist Intelligence Unit, finds that while companies are more satisfied with the global approach, there is actually no single right answer.

The report is based on findings of a global survey of more than 220 executives in multinational corporations that have sustainability programs, complemented by in-depth interviews with business leaders and other experts around the world. It concludes that firms tend to favour global programs even when regional ones are often more effective.



Catch a rising star.

Learn what it takes to secure and retain the best accounting and finance professionals.



Call today for your **FREE 2009 Salary Guide.**

1.800.803.8367
accountemps.com

1.800.474.4253
roberthalf.com

1.888.400.7474
roberthalfmr.com

Accountemps, Robert Half Finance & Accounting and Robert Half Management Resources are the leaders in specialized financial and accounting staffing for temporary, full-time and project placement, respectively.

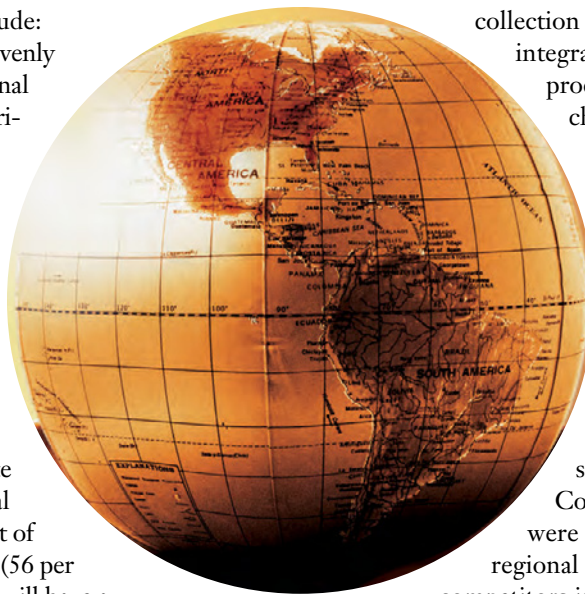


Robert Half International is the proud recipient of the CMA Canada Corporate Recognition Award.

Key findings of the report include:

- 1 While companies are almost evenly split between global and regional approaches, they are still experimenting to find which type of program is optimal for them.
- 1 The survey found that 54 per cent of executives have adopted a regional approach, while 46 per cent seek a more global structure.
- 1 In the future, executives say that their companies will change their approach. Despite their conclusion that a regional focus works better (65 per cent of respondents), most executives (56 per cent) say that their companies will have a global program in three years. Furthermore, 60 per cent of respondents whose companies have a regional focus expect to switch to a global approach, while one-quarter of those now favouring a global approach believe that their company will take on a regional focus.

Global and regional approaches each have distinct challenges and advantages. Management buy-in, data-



collection on appropriate metrics, and the integration of sustainability into corporate processes are among the main challenges for all companies implementing sustainability programs. Those with regionally focused approaches grapple especially with gaining attention of corporate-level management. For globally focused companies, the impact of regulators, particularly from their home country, is a defining force.

Overall, companies are more satisfied with the global approach. Companies with a global approach were more likely than firms with a regional one to rank themselves higher than competitors in sustainability performance.

Executives report that, overall, a global approach is more consistent in addressing sustainability priorities on both a regional (66 per cent) and global level (75 per cent). This may explain the shift by the majority of executives towards globally focused programs in the future.

For more information, visit www.eiu.com/sponsor/sas/sustainability.



ptc accounting & finance inc.
people that count

New assignments updated daily.



\$75.00/hr and up
\$65.00/hr
\$55.00/hr
\$45.00/hr
\$35.00/hr

Satisfied?

At PTC, our goal is to recruit the right candidates to meet our clients' needs, by understanding and respecting yours. Don't miss out on the exciting opportunities our clients are currently offering.

IFRS / Controller / Tax Manager / Director of Finance / Auditor Project Managers / Jr & Sr Accountants / CFO / SOX Specialist Accounting Manager / Financial Reporting Manager and more!

TO APPLY FOR ASSIGNMENTS : ptcaccounting.com
TOLL FREE : 1 877 303 9550



CMA Employment Connection

A Job Board to get excited about!

40,000 CMAs - 10,000 CMA students - 12,000+ CMA resumes - 8,500+ employers registered - 500+ jobs with new jobs posted daily



Leaders
Innovators
Value Creators
Success Builders

CMA Employment Connection is the ultimate resource for Certified Management Accountants...the dedicated, knowledge-driven professionals who don't just measure value, but create it.

Benefits for Employers:

- Securely and quickly post, edit and delete jobs
- Search our exclusive CMA resume database
- Receive instant notification of qualified candidate matches
- Take advantage of extremely competitive pricing

Benefits for Job Seekers:

- Upload your resume in word, PDF or HTML
- Complete security and confidentiality of your information
- Access to unique industry opportunities
- Custom search agents work for you 24/7
- Absolutely no fees...ever...period!



**Certified
Management
Accountants**

**Connect to the Best and Brightest at
www.cma-canada.org
1-800-263-7622 EXT 3122**

CMA Employment Connection
Certified Management Accountants at your fingertips.



2009 hiring outlook for accounting and finance

Canadian finance and human resources managers report difficulty finding experienced accounting candidates.

By Emilie Dunnigan, CMA

While the current economic climate has many employers taking a more conservative approach to hiring, talented accounting and finance professionals in essential functional areas will find their expertise still in demand by businesses throughout Canada — as well as abroad. Companies looking to stay competitive require skilled financial talent who can not only help them meet current challenges and improve cost efficiencies, but also develop long-range business strategies.

According to the Canadian edition of Robert Half International's newly released *2009 Salary Guide*, finding skilled practitioners for hire remains an ongoing challenge for many firms. Forty-two per cent of Canadian finance and human resources managers and 56 per cent of global respondents surveyed by Robert Half reported difficulty finding experienced accounting and finance job candidates.

Practitioners who have earned designations such as certified management accountant (CMA), chartered accountant (CA), and certified general accountant (CGA) are particularly in demand.

Companies of all types seek to fill existing positions as well as grow their talent pipeline to offset the loss of experienced practitioners expected to retire in the near future. The public accounting sector, which will likely feel a significant impact from this burgeoning workforce trend, can be expected to be in a hiring mode for years to come, reports the *2009 Salary Guide*.



Despite the ongoing need for accounting and finance talent, businesses are still taking great care to select candidates who will be best-suited for a position, regardless of the level. Most employers seek professionals who have a precise set of qualifications and can start making contributions immediately. Employers are even setting high standards for entry-level accountants coming from the new talent pool, generation Y, by putting emphasis on grade point averages, internship experience and interpersonal skills.

What employers want

Employers continue to seek candidates with solid business experience, as well as certifications, according to the *2009 Salary Guide*. Practitioners who have earned designations such as certified management accountant (CMA), chartered accountant (CA), and certified general accountant (CGA) are particularly in demand. And because more firms today seek professionals who can provide expertise in areas like fraud investigation and risk management, credentials such as certified fraud examiner (CFE) and certified credit professional (CCP) can also enhance marketability.



As in previous years, a master's degree in business administration (MBA) can give candidates an extra edge during the hiring process for senior corporate financial positions. So, too, can technology expertise: proficiency in using accounting-related modules of popular software packages and financial planning and reporting applications can be particularly important. Soft skills, including communication and leadership abilities, remain a critically important hiring consideration as well. Some employers even ask candidates to take personality assessments before extending a job offer.

Executive-level expectations

When seeking leadership candidates, Canadian employers look first for industry-specific experience,

followed by regulatory compliance expertise. Businesses also want to hire executives who possess knowledge of enterprise resource planning (ERP) systems, which help organizations to better manage their accounting functions, including billing and payroll.

Reflecting continued business globalization, Canadian firms ranked "knowledge of international markets" as one of the top five executive-level attributes they seek. Demand is growing for accounting and finance professionals who have experience working in other countries and with other cultures, are multilingual, and are familiar with International Financial Reporting Standards (IFRS). In fact, industry observers predict that the next big hiring wave in the field will be spurred by accelerated globalization and the likely near-worldwide adoption of IFRS.

Positions on many "wish lists"

Hiring managers are finding it difficult to fill positions in accounting,

Put your finance career on the right track

Whether you're a seasoned finance professional or just beginning your career, you'll find your niche in the BC Public Service.

Take on challenges that impact our province and our people and enjoy a positive team environment.

You'll have access to unparalleled opportunities for career options and mobility, giving you the chance to share your experiences and to grow your career all with one employer.

Put your ideas to work with us and get set for a rewarding future in finance with the BC Public Service.

For more information about rewarding finance careers, visit our website at: employment.gov.bc.ca



Where ideas work



Clockwise from top left:
Joan, Assistant Deputy Minister, Michelle, Financial Systems Officer,
Kanwal, Controller, Osami, Financial Analyst, Rob, Sr. Manager



financial management and financial analysis.

Financial analysts are currently important to many organizations looking to maximize profitability and identify costs-savings opportunities through better budgeting and forecasting, and improved financial management. Companies are willing to pay somewhat more for this expertise: The *Salary Guide* predicts analysts working in corporate accounting will be among those experiencing the most significant salary increases in the year ahead.

For instance, an analyst working at the management level in a small- or mid-size firm can expect their compensation to be between \$68,250 and \$91,500, which represents a 5.8 per cent boost over 2008. At large companies, analysts with less than one year of experience will see a projected salary range between \$39,250 and \$47,000. And as is the case with many accounting and finance positions today, financial analysts who have graduate degrees or professional certifications can earn up to 10 per cent more annually.

The following includes other positions that are likely to be in high demand in the coming year:

- Staff and senior accountants.** Even in an uncertain economy, companies need accountants to handle a wide range of financial responsibilities related to conducting basic business, from maintaining the general ledger to performing the monthly close. Demand is strong for professionals with at least three years of experience. According to the *2009 Salary Guide*, public accountants at the management, supervisor or senior level will see some of the most significant jumps in salary, compared to other positions in the field. Salaries for accounting managers working at large firms with more than \$250 million in sales will improve the most: 5.1 per cent (\$88,000 to \$128,500).
- Tax accountants.** Tax related-concerns are important to most companies year-round, but the focus on identifying potential tax-derived cost savings can be even more intense in a challenging economy. Not surprisingly, the demand for tax accountants in private and public sectors is growing — as are salaries in this area. The *Salary Guide* predicts pay for senior public tax accountants working for large firms will range from \$72,750 to \$92,500 per year. It is anticipated that annual salaries for their counterparts working at small- to mid-size firms — with up to \$250 million in sales — will rise to \$67,500 to \$89,000.
- Credit and collections.** The current credit

Even in an uncertain economy, companies need accountants to handle a wide range of financial responsibilities related to conducting basic business, from maintaining the general ledger to performing the monthly close.

crunch has underscored the critical role credit and collections functions play in helping organizations both manage credit risk and collect from delinquent accounts. Employers are also hiring more strategically in this area to help reduce inefficiencies and enhance profitability. Salaries for these positions will see fairly modest increases. Compensation for credit and collections specialists with less than one year of experience who are working at large corporate accounting organizations, for example, will range from \$33,000 to \$39,000.

Banking has some bright spots

While the current economic situation has caused hiring in mortgage and investment banking to decline, globalization is still driving demand for financial talent in other parts of the sector. But here again, employers are having difficulty filling positions due to the overall lack of experienced talent.

Banks and hedge funds are looking to fill foreign exchange sales and trade positions. Hedge funds seek accountants, risk managers and professionals to handle support functions. The banking sector, meanwhile, wants experienced risk managers who have expertise in compliance, internal audit, credit and market risk. And financial services firms are hoping to hire wealth managers and sales personnel to meet the growing needs of baby boomer clients. Even investment banks are still hiring for some specialty areas.

Creative staffing solutions

While firms in Canada and in other countries scout the horizon for qualified accounting and finance professionals in the face of an ongoing talent shortage and pending staff retirements, many are filling skills gaps by increasing their reliance on project professionals and temporary-to-full-time arrangements. The use of outside resources is a strategic staffing measure which allows quick access to talent in specialty areas. The arrangement also can be an important hiring tool for when conditions improve because employers can assess an individual's fit within the organization over an extended period of time. ■

Emilie Dunnigan, CMA, is a recruiting manager for Robert Half Finance & Accounting.

The annual Robert Half *2009 Salary Guide* examines the accounting and finance hiring environment, including expected average starting salary levels and an analysis of regional employment and compensation trends. The findings are based on extensive research conducted in Robert Half offices throughout Canada, as well as ongoing surveys of chief financial officers (CFOs) and other senior executives.



Financial forecasting accuracy: data, systems, techniques and context

Accuracy of financial forecasting is essential for effective management and stakeholder confidence in any organization. Accuracy is usually defined as within five per cent under or over forecast. Most enterprises are not there yet.

By Daniel Zbacnik, FCMA

A KPMG International survey of over 540 senior executives, undertaken by the Economist Intelligence Unit, suggests most senior financial professionals are not satisfied with the accuracy of forecasts. Only one in five is able to produce forecasts that they think meet an acceptable level of accuracy. Over past years, only 23 per cent came within five percentage points under or over forecast. On average, forecasts were off by 13 per cent.

The surveyed executives estimated that poor forecasting was a factor in bringing down their share prices, by six per cent, because of lack of trust from analysts and investor reaction. For example, under forecasting and over delivering might temporarily please the investment community, and even increase bonuses, but more reliable estimates add far more lasting value to an organization.

On the other hand, companies with forecasts that came within five per cent of actual saw share prices increase by 45 per cent over the same period, although, other factors were likely at play. Accurate forecasting supports better management, including, as a panellist at a KPMG conference, Jean-Sebastien Couillard, CFO of Toronto Hydro, noted: "Improved ability to recognize opportunities (68 per cent of survey respondents agreed), to



manage risks (66 per cent of survey respondents agreed), to set meaningful performance milestones for business units, and to identify process improvements."

To discuss survey findings and other issues, three leading Canadian CFOs participated in a conference to share their problems and solutions in their particular situations.

They were:

- 1 Patricia Allain, head of finance, global technology and operations, Royal Bank of Canada;
- 1 Jean-Sebastien Couillard, CFO, Toronto Hydro Corporation;
- 1 Mike Galbraith, vice-president, financial planning and analysis,



Research in Motion Limited (RIM).

They represent sectors with very different end-users, so they have different constraints and considerations. They agreed on the need to take into account the environment of the business and how it affects the type and timing of the forecasts that will be useful to management, shareholders, and stakeholders.

Among survey respondents, the most successful companies take forecasting more seriously than most; they look to enhance quality beyond the basics, and more are interested in further scenario planning and sensitivity analysis.

On the other hand, their observations about factors leading to poor forecasting had a lot in common. The three panellists, and many survey respondents, cited bad data, use of less-than-sophisticated technology, and poor forecasting techniques as the biggest issues.

Data

Panellists and survey respondents agreed that the quality of the internal data supplied to the finance function is very important, and often lacking. Forty-seven per cent of KPMG survey respondents consider the reliability of the financial information they use merely adequate or worse; this is a troubling finding. Data definitions and controls on the month-end close are subject to rigorous governance and control by finance functions. Why not the same rigour for data used in forecasting?

One of the issues is there's often no ownership by the business as a whole or by individual operations on who owns, reports on, and uses the data. There needs to be a culture that reinforces

the responsibility for data in particular and forecasting in general; finance can't do it on its own. Managers should present their assumptions and also be held accountable, to a reasonable extent, for their forecast numbers to mitigate "sandbagging" or "gaming." Mike Galbraith of RIM said his company uses the data fed from operations to keep up with its fast-changing business and check on supply chains.

If operations need to be responsible and accountable for the data supplied, it is important that they have, or have access to, the necessary financial expertise. One approach is to imbed finance people in each business unit, rather than having them centralized, in order to equip operations with the much needed financial resources. The most accurate forecasters in the survey already do this; however, 39 per cent of companies do not assign any responsibilities to their business managers for data or forecasting.

Even in the best company historical internal data is necessary, but not by any means sufficient to predict what is likely to happen tomorrow. In many cases, there needs to be awareness of external data (e.g., tracking the price of fuel, interest rates, or foreign exchange). Patricia Allain's forecasts, understandably, must take into account every single change in interest rates. She and others suggest there should be more air time with the Board to better integrate non-financial data, the internal strategies and tactics of the company and to shape financial plans and forecasting.

Technology

Many of the KPMG survey respondents said their current technology is one of the major impediments to good forecasting, and a key potential source of improvement. Advanced software, combined with better processes, data, and company-wide commitment, would improve accuracy of forecasts.

A common technology issue was the use of too many different systems, resulting in "inter-application spaghetti." The impact: labour-intensive, scattered, increased cycle time and error, insensitivity to planned strategic moves, and a high degree of effort needed to forecast.

Fortunately, there are many technology solutions on the market. Business intelligence platforms can help enterprises build applications to integrate, deliver and analyze their business. Vendors are now offering more comprehensive systems — through development and acquisitions of each others' software. The breadth of corporate performance measurement applications, if they are used, can go beyond the current finance department focus to encompass enterprise-wide performance management initiatives. This is integral to good financial forecasting, unless the business is in a steady-state mode.



Forecasting techniques

Getting stuck in a fiscal planning cycle can be a trap. Depending on the industry, many finance professionals now aim for quarterly, or even monthly, forecasts. The three panellists all agreed that rolling forecasts are an essential management and performance tool. With rolling forecasts, a company like RIM can reallocate resources quickly. Over two-thirds of the KPMG survey respondents use rolling forecast in some form.

Getting stuck in a fiscal planning cycle can be a trap.

Rolling forecasts should be combined with techniques to include scenario, sensitivity, and driver-based planning. These forecasting techniques are essential if the enterprise is going through, or planning to, make changes or, if like RIM, Toronto Hydro, and the Royal Bank, it needs to produce multiple alternatives that deal with changes in supply, demand, potential regulatory changes, and the ever-shifting financial environment. Among survey respondents, the most successful companies take forecasting more seriously than most; they look to enhance quality beyond the basics, and more are interested in further scenario planning and sensitivity analysis. Rolling forecasts should be combined with techniques, such as scenarios that give insight into the biggest challenges and uncertainties facing the business.

Scenario planning is emerging as a useful tool to address the uncertainty inherent in forecasting. This is particularly true where external data is factored into a forecast because external data, such as consumer demand, or economic drivers by their nature contain a degree of uncertainty. Couillard cited weather as external data for Toronto Hydro to produce better forecasts. Although use of external market reports and competitive data can add uncertainty, the more successful forecasters use this data more often.

Forecasting in the real world

The three leading financial officers from major Canadian organizations underlined another important factor: the users. What are the real world concerns of the people who will be using the information? Is it relevant to their interests, mandates, and concerns?

The Royal Bank must satisfy regulators, other stakeholders and shareholders. Allain said, "The Royal Bank is in a mature industry operating in a highly regulated environment. While forecasts are not shared externally, they must satisfy the regulators, as well as reflect market conditions. Forecasts are undertaken each quarter and reviewed in the context of monthly results to refresh the view and outlook for the future and provide the Board with current information. This current information must take into account changes in interest rates, revenue, and account for cost-management initiatives."

Couillard of Toronto Hydro said, "Toronto Hydro is a highly regulated monopoly that must report often to its regulator stakeholders for rate applications. We are also subject to keen scrutiny by many outside parties to whom we are also accountable.

All necessary improvements in things such as infrastructure improvement and hiring need to be justified." RIM is in a different situation. Galbraith said, "RIM is looking at very high growth and change. In our industry, the figures from previous years can quickly become irrelevant and a detail plan can soon become stale. A flexible operating and financial planning environment is essential, with rolling monthly outlooks that reflect changes in the marketplace. Rolling monthly views also facilitate close alignment amongst senior management and RIM's core operating team. We also employ scenario planning to assist management in assessing and mitigating risk, and capitalizing on it."

Financial forecasting is not simple. Better data and better systems, and the rigorous use of leading forecasting techniques, are key. The KPMG survey found that those who tackle forecasting as a science are the ones that are getting it right. Accurate forecasts can be critical to management's ability to drive and sustain long-term value. Building better forecasts is a lot of work. What do you get? Better management, better planning for future changes, more trust from analysts or regulators, and potentially an improved share price. ■

Daniel Zbacnik, CPA, MBA, FCMA, is the Canadian lead partner, financial management advisory, KPMG LLP.

The KPMG survey report, *Forecasting with confidence: Insight from leading finance functions*, can be found online at:
http://www.kpmg.ca/en/ms/forecastingwithconfidence/index.html?zoom_highlight=Forecasting+with+confidence.



Managing risk in a customer-driven economy

Risks can be managed and CMAs are, perhaps, best positioned to shed light on customer experience management in strategic, proactive organizations.

By Chris Fawcus and Syed Hasan

What does customer experience have to do with risk management? Until recently, the answer to this question would usually be “nothing,” especially if you asked an accountant. In reality, however, customer experience metrics are valuable tools in managing risk.

Risk management is commonly defined as the process of assessing, analyzing and mitigating risks, while still achieving business goals. It is clear from this definition that the process of risk management requires greater business intelligence than can be provided by financial metrics alone. There is probably no greater risk to a company than losing its customers, or losing its ability to attract new ones. Yet, few risk management strategies actually focus on this area of business risk.

While the traditional approach to risk management has much value and many merits, it has not changed significantly in the last 50 years, and this stagnation is itself a risk within the discipline. By focusing almost solely on financial indicators, and macro-economic trends and conditions, it ignores some key metrics that have significant relevance in today’s customer-driven economy — such as customer experience.



There is probably no greater risk to a company than losing its customers, or losing its ability to attract new ones.

Understanding the customer

It’s really no surprise that the finance team has had little insight or even interest in customer experience related metrics. The typical CFO sees them as secondary or tertiary indicators for the business, and leaves it to marketing, sales and service to understand and act on these insights.



There is some irony in the failure to acknowledge its value as a form of business intelligence, because when expressed in a structured manner, customer experiences are actually relatively strong indicators of future growth risks in most competitive markets.

CMAs need to be made aware of the impact proactive management of customer metrics can have on reducing the risks with a business.

When customer experiences can be distilled down into customer satisfaction levels, customer reference-ability rates and customer sentiment, they become key indicators of on-the-ground business performance, and from these metrics we can predict the future growth potential of the customer base, the lifeblood of most businesses. Thus, to many teams, customer experiences point to more than just market trends and opportunities — they point to risk.

Customer experiences comprise a very compelling form of predictive business intelligence. Customer experiences tell us about the feelings, wants, needs, behaviours and intent of the consumer. And since customers create revenue for organizations, it's not that surprising that their experiences can help us predict their future actions. Customer experiences actually provide some certainty around business operations, prioritization and planning. The alignment with the intent of traditional risk management could not be tighter.

Why has this all come about today? It has a lot to do with the lack of certainty around customer behaviour that stems from the transient nature of consumer behaviour. It's also driven by their use of technology to inform themselves of the past and present experiences of other customers, as well as the current offerings of your competition. Customers can actually begin the buying process with multiple companies in tandem before making a final decision, something that would have been

impossible at retail establishments just 15 years ago.

If you fail to bring a structured understanding of the customer experience, customer sentiments and customer reference-ability, bottom-line risks to your business emerge quite quickly. In such a fast-paced consumer economy, the risk of failing to grow your customer base will only be outweighed by the risk of losing current customers.

CMAs need to be made aware of the impact proactive management of customer metrics can have on reducing the risks with a business. They also need to take more ownership of these non-financial metrics, rather than leaving them solely to marketing and research.

How this is done is through the variety of customer experience management (CEM) software and services now available, providing global enterprises and small businesses the ability to monitor hundreds, thousands, even millions of customer experiences in real-time with the structure and granularity that one would expect to see in the core financial systems. The quality (and quantity) of information that can be generated from CEM systems can likewise provide valuable intelligence of the type that typically support audits within the most rigorously regulated industries.

Implementing CEM

Customer experience monitoring and CEM has become a robust business process and discipline, supported by powerful, scalable, and easy-to-use technology systems, and should no longer be something that resides outside of the CFO's domain.

In many ways, the monitoring and measurement of customer experiences represent one of the greatest opportunities for risk mitigation, one that can unite finance with product, sales, customer service, marketing and operations. There is not a company in operation today that does not want to actively improve the satisfaction, loyalty and advocacy of its customers, however it can be measured. It drives bottom line results, pure and simple.

Everything about today's business has changed — from business models to operating platforms to the technologies that power customer management strategies. Most importantly, customers have changed, both in terms of their awareness and self-determination, and their buying options.

These changes must also force a change in how risk is managed. Finance professionals need to look beyond their traditional metrics to understand how the customer experience can help protect organizations from the uncertainty of the future. ■

Chris Fawcus is the CEO for Aon Corporation Canada, a provider of risk management services. Syed Hasan is president and CEO of ResponseTek, a provider of customer experience management software.



Why de

Virtually every private business must deal with the matter of ownership transition at some point. For many owners, their business represents a lifetime's worth of hard work and a significant proportion of their personal net worth.

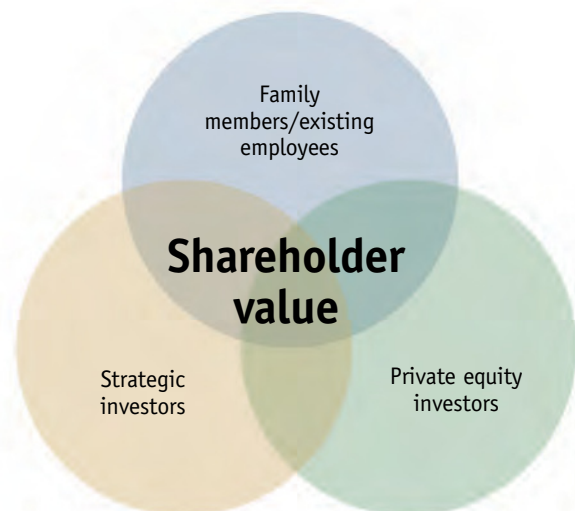
many private middle market business owners considering the sale of their company are concerned that they will spend substantial time, energy, and money on the process, only to reach an unsatisfactory conclusion. While the outcome of any sale process is ultimately impossible to foresee, the likelihood of closing a deal on acceptable terms can be significantly increased through an awareness of some of the most common procedural mistakes. The following includes ten habits that can significantly jeopardize the success of private merger and acquisition (M&A) deals and provides advice on how to avoid these pitfalls.

1) Limiting competition for the business

Many business owners tell their advisors that they already know the most likely buyer for their business. However, in almost every sell-side process, the most likely buyer identified at the onset is not the party that ultimately acquires the business. An owner's willingness to simultaneously explore a diverse range of options is often

essential for maximizing shareholder value and increasing the probability of close. Broadly speaking, purchasers will fall into one of three categories, and each presents their own unique opportunities and challenges.

Family members or current employees are often a natural



als fail



By Chris Polson, CMA

successor to the current ownership. Companies which currently operate in related lines of business (e.g. strategic investors) often have a strong interest in combining the business with their own. Finally, private equity (PE) groups invest in private businesses with the intention of selling at some future date and realizing a return on the investment. These groups are typically funded by institutional investors (e.g. endowments and pension funds), and seek returns which are superior to those realized in public equity markets. In most cases, PE groups use debt to finance a significant portion of the purchase price (e.g. a leveraged buyout, or LBO), thereby increasing the prospective return on the group's equity investment.

While most business owners know the other players within their industry, they are often unfamiliar with the universe of PE groups. For many business owners, particularly those who have a management team in place that is capable of taking over the business, a PE group may provide an attractive alternative to a sale to a strategic competitor. The past decade has seen a tremendous increase in the number of private equity groups, creating a much greater list of options for business owners.

One common rationale which owners cite for limiting the number of parties contacted in a sale process is they do not want their employees or customers to know that the business is being shopped. Although these concerns are valid, a well run sale process can help minimize the exposure and the benefits of a competitive auction far outweigh the risks. Competition creates a fear of loss in the minds of potential buyers and is instrumental in keeping interested parties on track and focused.

2) Unrealistic value expectations

Most private business owners will add a significant emotional premium to the market value of their business. Similarly, some owners approach value by first estimating the amount of money they need to retire and then backing into a value for the business. While retirement and estate planning are very important considerations in the decision to sell or not to sell, market values may not align with an owner's long-term financial needs or wants.

Another common phenomenon is for business owners to look exclusively to valuation multiples from other companies

or transactions within their industry without objectively analyzing whether the multiples are applicable to their company. Even within the same industry, different companies can trade at dramatically different multiples for a variety of reasons including, but not limited to, size, growth expectations, proprietary products or services, debt capacity, revenue stability, capital reinvestment requirements, and investment liquidity.

Generally speaking, a high growth, publicly-traded company with \$50 million of earnings before interest taxes and depreciation (EBITDA) will always trade at a higher multiple than a lower growth, private company with \$5 million of EBITDA.

Factors influencing valuation multiples

Company size	Revenue stability and concentration	Proprietary product or service	Growth expectations	Debt capacity	Capital expenditure requirement	Buyer synergy expectations	Terms of the transaction	Comparable transactions
--------------	-------------------------------------	--------------------------------	---------------------	---------------	---------------------------------	----------------------------	--------------------------	-------------------------

A second common risk is the adoption of a “country club” multiple as a valuation benchmark. Retired business owners will often proclaim to friends at the club that he or she “got 8.0x EBITDA for the business.” Owners frequently neglect to mention that the 8.0x multiple was based upon an unadjusted EBITDA number, which included significant personal expenses (e.g. travel, meals, automobile leases, insurance premiums, or pension funding payments), which might bring the multiple effectively paid for the business down to 7.0x. Furthermore, the owner may not mention that 1.0x EBITDA was in the form of a contingent “earn-out” payment based on a forecast that the business has a very low probability of hitting, resulting in what is effectively a 6.0x multiple paid for the business. That is not to say that business owners need to be in the dark regarding value before approaching the market. Trusted advisors can provide helpful insight into the likely value for a business, usually expressed in terms of a range of potential value (e.g. \$60 to \$70 million, or 6.0x to 7.0x times adjusted EBITDA). However, the only way to ultimately know the market value of a business is to approach potential buyers in a controlled, competitive auction process.

3) Failure to engage qualified advisors

Acknowledging the self-serving nature of this statement, it is almost undoubtedly true that a business owner will be well served by engaging an experienced team of advisors to manage the sale process. Qualified advisors, including corporate finance professionals, lawyers, accountants, and wealth managers, are usually instrumental in the planning and successful execution of a transaction.

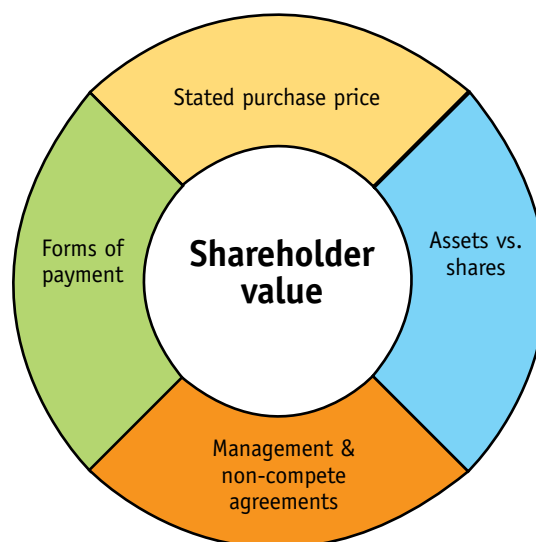
One excellent reason for the use of outside advisors is that many owners find it difficult to objectively evaluate their

business. Outside advisors can tell business owners what they need to hear and not necessarily what they want to hear. Furthermore, managing a sale process can be extremely time consuming and it will often last between six to 12 months. Most owners who are actively involved in their business already have tremendous demands on their time. Trying to run a comprehensive auction process without a qualified advisor often causes the business to suffer as the owner becomes overwhelmed trying to manage the business and the process at the same time. Finally, selling a business is often a very emotional experience and it is beneficial to have a third-party serve as a buffer between the business owner and prospective investors.

4) Lack of negotiating flexibility

Negotiation is an art, not a science. Aside from the stated purchase price, the form(s) of payment (e.g. cash, shares, earn out, etc.), the deal structure (e.g. a sale of the underlying assets or outstanding shares), and any future consulting or non-compete compensation received will all have an impact on the business owner’s net after-tax proceeds. Sellers or buyers that take an inflexible negotiating position on every possible element of a transaction are rarely successful.

From the seller’s perspective, a better approach is to identify and prioritize the elements of a transaction which



are most important and then leverage the attributes of a competitive auction process to reach a resolution on as many of these points as possible before moving forward with one party on an exclusive basis.

Even once the seller enters into a period of exclusive discussions with a buyer in order to finalize the deal terms it is unrealistic to expect that the owner will get everything that they want. For instance, compromises relating to the specific language used within the transaction documents are often necessary. Competent legal counsel and corporate finance professionals will help business owners to identify those points where it makes sense to take a firm stance and those points where a compromise may be more appropriate.

Transaction participants sometimes like to draw similarities between negotiations and Texas Hold 'em poker. However, unlike a poker tournament, when the negotiating parties go "all-in" they are not required to show their cards and will take their money (or their business) with them when they leave the negotiating table. Ultimatums and hardball negotiating tactics often create a counter-productive environment.

5) Poor financial performance

Financial performance is an obvious driver of value for any business and will be of critical importance throughout a sale process. There is no quicker way for a seller to lose credibility with buyers than to miss their internal financial forecasts. It's recommended to prepare forecasts that are both reasonable and achievable, especially for the time period during which the sale process takes place. In many ways "hockey stick" growth projections, if not based on sound assumptions, can do more harm than good.

Some private business owners are disadvantaged by the fact that they do not typically prepare a formal annual budget and have never prepared three to five year financial projections. While this type of forecasting is not a requirement to sell a business, it is typically very difficult to monetize the potential of a company when the owner cannot provide buyers with a vision of the future from a financial perspective. Detailed forecasts generated pursuant to a comprehensive, rational planning process will receive the greatest credibility from buyers. If circumstances permit, it is beneficial for business owners to implement a formal budgeting process a few years prior to selling their business, not only from a best practices perspective, but also from the standpoint of refining the budgeting and forecast process.

Qualified advisors can be very helpful to companies preparing forecasts for the first time. Advisors should insist that management take ownership of its forecasts even though this might add a level of anxiety to the forecasting process. A classic warning sign for buyers occurs when a management team responds to questions about their financial forecast by saying, "We don't know — ask our advisors."

While the seller's financial performance is more commonly the focus in a sale process, deals also can fall apart due to a buyer's poor financial performance or (in the case of a publicly traded company) a declining stock price. Obviously, one of the primary concerns that must be vetted is a buyer's ability to finance the transaction. A buyer's poor financial performance can prevent the buyer from securing the financing necessary to fund the transaction or could distract the buyer's management team to the point that they can no longer focus on the deal. Where a public company's stock forms part of the consideration paid to the seller, a significant decline in its value may reduce the effective purchase price to the point where the seller is unwilling to complete the transaction. Qualified advisors can assist business owners in the screening and evaluation of potential purchasers to minimize these execution risks.

6) Inadequate financial reporting

Despite common references to valuation "multiples," and other indications of value as a function of historical performance, buyers are really buying future cash flows. If the historical financial information which a buyer relies upon (to produce estimates of future cash flow) turns out to be misleading, the buyer will need to revisit their valuation model. This will often result in a significant discount to the value of the business. Similarly, any proposed earnings adjustments (often referred to as "normalization adjustments," or "add-backs") on account of owner-related and non-recurring items must be based on sound assumptions in order to hold up under a buyer's due diligence.

While most business owners know the other players within their industry, they are often unfamiliar with the universe of PE groups.

Any owner contemplating the sale of their business should be sure to hire an experienced, professionally trained controller or a chief financial officer who is capable of establishing the appropriate accounting and financial reporting infrastructure. Where practical, it is also strongly recommended that business owners have annual financial statements verified by a qualified third-party accounting firm in accordance with Generally Accepted Accounting Principles (GAAP). Ideally, an accounting firm will prepare an audit, or at least a review. Compiled statements, which are essentially a restatement of the company's internal statements, typically add little value in a sale process.

While an audit can be time-consuming and an added

expense, it is well worth the cost and is an ideal exercise to prepare private business owners for the rigors of buyer due diligence. It also has the added benefit of improving the quality of financial information that will be used to manage the business. However, business owners should avoid the trap of relying on their year-end audit to clean up any financial reporting deficiencies which occur throughout the year. Transactions rarely close conveniently at year-end and interim financial statements are often just as important as year-end statements.

7) Providing insufficient information to potential purchasers

Private business owners are understandably hesitant to share details about their business with third-parties. During a sale process, however, this reluctance can be problematic as it denies participants the information necessary to gauge their level of interest in the business and, importantly, develop a refined view as to value. One year's worth of externally prepared (either audited or reviewed) financial statements is generally not sufficient for a buyer to develop a credible estimate of value for any business.

In a typical auction process the seller, in collaboration with their advisor, prepares an information memorandum which contains detailed financial and operational information about the business while being careful not to disclose highly sensitive information. This confidential information memorandum (or CIM) is distributed only to promising pre-selected parties who are willing to sign a

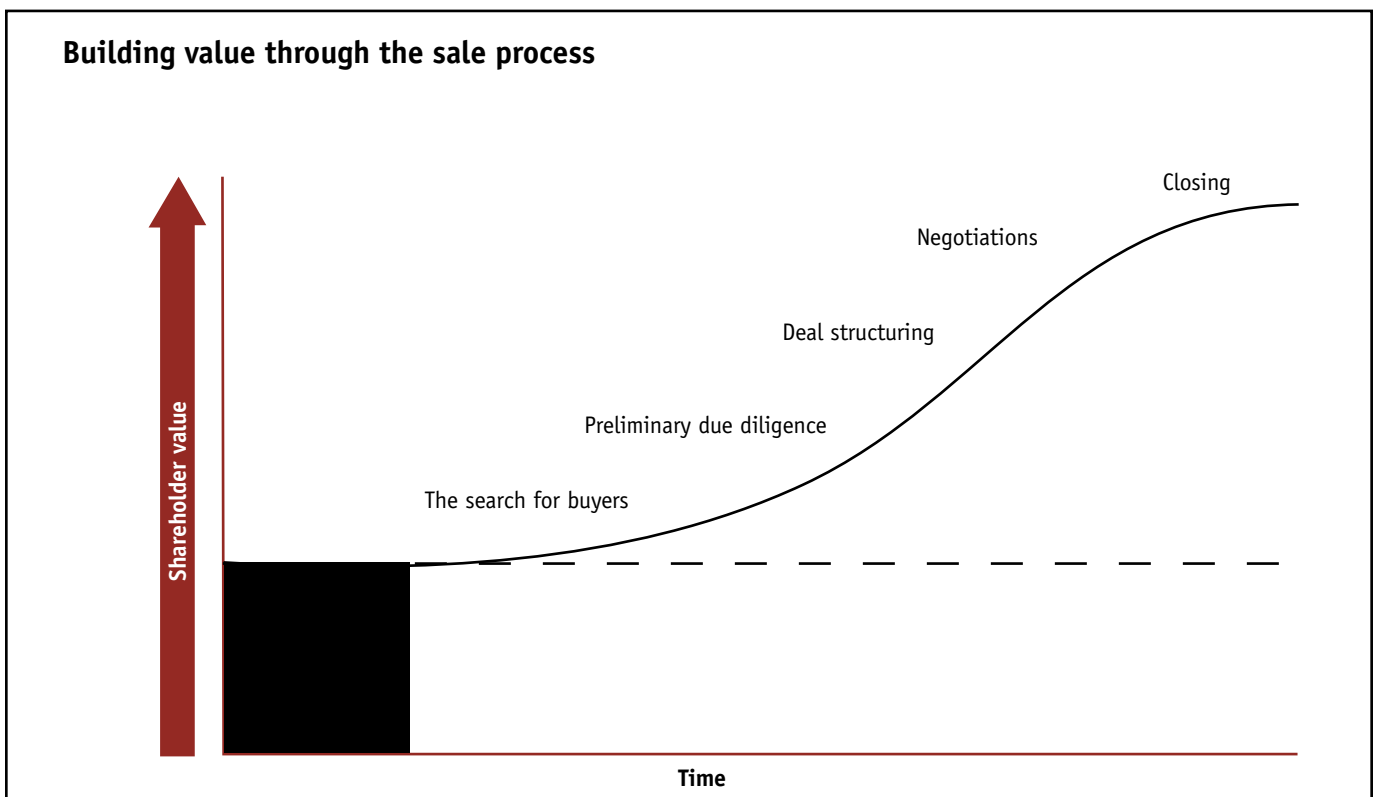
confidentiality agreement.

An efficient auction process will release sensitive information about the business in stages as select buyers move forward with their due diligence and others are eliminated. Even when releasing information in stages, however, buyers will need a certain amount of financial and operational information up front. This information

Negotiation is an art, not a science.

should be sufficient for prospective buyers to produce an informed initial view regarding value for the business, which in turn allows the seller to decide which parties to invite into the next round of the process.

Even in a well run auction process there is no way to completely eliminate the risk of a competitor gaining access to sensitive information, or of employees and outside parties learning that the company may be for sale. This is particularly true in the later stages of the process where due diligence inquiries reach their maximum breadth and depth. The best way to minimize this risk is to approach the market in an organized manner and run a disciplined auction process. A well-managed process will keep the participants focused and moving forward within a relatively short timeframe.



8) Concealing negative issues from purchasers

At the beginning of a sale process, owners are best advised to disclose “the good, the bad, and the ugly” about their business. Hiding bad news from a prospective buyer in the hopes that, the buyer either will not discover the issue or will choose to ignore it because they are already committed to the transaction, is rarely an effective approach. The best opportunity to disclose troublesome issues is early in the auction process when competition amongst buyers is at its peak.

A proactive approach to the disclosure of bad news allows a seller to properly characterize the situation and, to the extent that there are still multiple bidders within the process, convince potential buyers that they will not be competitive if they unduly penalize the company on account of the issue. Even relatively late in the process, when the seller is under a period of exclusivity with one buyer, the knowledge that there were other bidders for the business can help to mitigate potential issues.

9) Personality conflicts

Private business owners are often highly motivated, results-oriented individuals. While these attributes are an asset from an operation’s perspective, they can become a liability in a transaction where a business owner lets his/her ego or emotions get in the way of the deal. Preventing this is easier said than done of course, as most owners are very emotionally attached to their business. Owners will find that it is not easy to listen to a prospective buyer critique various aspects of their business, even where the buyer makes valid points. The natural response is to become defensive, which can alienate the buyer and impair their objectivity.

In many cases, an owner who is active in the business will need to work for the buyer for some period of time after the transaction closes, either in a transitional role or as senior executive going forward. The loss of control is an extremely difficult adjustment for some business owners and speaks to the underlying question asked throughout the process — are you really ready to sell your business?

It is important that both sides work hard to keep the negotiations from becoming too personal and impairing what hopefully will be a very profitable relationship after close. A qualified team of advisors can serve as an important buffer between buyers and sellers, but at some point a buyer will need to interact directly with the seller.

10) Lack of process momentum

Deals are often in jeopardy where the process lacks any sense of urgency and becomes excessively lengthy. Any number of bad things can happen when a sale process stagnates. Although “deal fatigue” is a common phenomenon that happens at some point in almost every

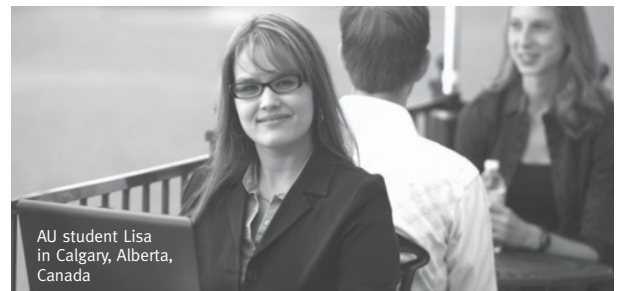
transaction, it is particularly problematic for deals that linger inconclusively. There is a relatively short psychological step from “when is this deal ever going to close” to “maybe I don’t want to do this deal anymore.” As time passes, there is also a greater risk that the deal will fall victim to unfavorable industry or macroeconomic events (e.g. a recession or global credit crisis) or that the buyer will choose to abandon the transaction in favour of a newer opportunity that recently surfaced.

One of most important benefits of an auction process is the sense of urgency it creates for buyers and the seller. To fully capitalize on the value of the business, enthusiasm and momentum should be generated and leveraged throughout the various stages of the sale process. ■

Chris Polson, MBA, CMA, CFA, CBV, is with Veracap Corporate Finance Limited.

AU ADVANTAGE 112: FLEXIBILITY

Too busy to become an accountant? Do the math.



AU student Lisa
in Calgary, Alberta,
Canada

Complete your accounting designation courses, get a degree, or do both.

AU has flexible solutions that really add up for accounting students. Students can complete their accounting designation course either in a program to get their degree, or to get specific courses they still require for their designation.

For AU student Lisa, being a stay-at-home mom, working part-time doing accounting for a dance studio, and pursuing her dream of becoming an accountant is an ideal balance.


Lisa is currently working on her AU Bachelor of Commerce degree in Accounting, and is fitting in her university studies with her busy home life and her part-time job.

Flexibility. Another reason why AU stands out as a global leader in distance learning excellence.

standout:
www.athabascau.ca/standout
866-502-6780

Athabasca University 

The corporate governance role of strict tax enforcement: can a visit from the tax auditor save your company money?



Active monitoring by tax authorities protects the interests of outside investors by disciplining company insiders against depriving them of their fair share of earnings.

By Jeffrey Pittman, CMA

In the aftermath of the high-profile financial reporting failures around the world earlier this decade, governments that are eager to restore investor confidence in the capital markets have relied on sweeping legislative and regulatory reforms to improve corporate governance. For example, Ontario enacted Bill 198 as a made-in-Canada version of the U.S. Sarbanes-Oxley Act of 2002, while the TSX bolstered its listing standards (“Rules and Prevarications,” October 2003, *CMA Management*). However, the role of external monitoring by tax authorities in strengthening governance has largely flown under the radar until recently. Desai et al. (2007: 1) stress that the public policy discourse seldom considers the importance of tax authorities to corporate governance:

The state, thanks to its tax claim on cash flows, is de facto the largest minority shareholder in almost all corporations. Yet, the state’s actions are not part of the standard analysis of corporate governance ... Most transactions aimed at diverting corporate value toward controlling shareholders also reduce corporate tax liabilities. Similarly, many procedures aimed at enforcing a corporate tax liability make it more difficult for controlling shareholders to divert corporate value to their own advantage.

Against this backdrop is the emerging research on whether a major spillover benefit that accompanies stricter tax enforcement is better firm-level governance. Purdy Crawford, Counsel at Osler, Hoskin, and Harcourt LLP, implores Canadian companies to pursue “value-creating governance” given that, “the purpose of the corporation is to enhance shareholder value” (see “Reforming the Boardroom: Value Creation and Overseer?” October 2003, *CMA Management*). Similarly, corporate governance represents “the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment” according to Dyck and Zingales (2006: 51). This definition motivates that evaluating the shortcomings of a corporate governance system would involve identifying the fraction of earnings that is not shared by all shareholders, but rather is seized by inside shareholders who control and frequently manage the company. Financial economists diplomatically label the portion of corporate value that insiders enjoy at the expense of outside investors as the “private benefits of control.” In a prominent criminal prosecution involving a Canadian company, executives at Hollinger Inc. were convicted in the U.S. of colluding to defraud minority investors by diverting the proceeds from non-competition contracts to their own pockets.

Several commentators blame the watershed accounting scandals that marginalized outside investors on serious lapses in governance, including submissive boards and auditors, complicit analysts, and excessive reliance on pay-for-

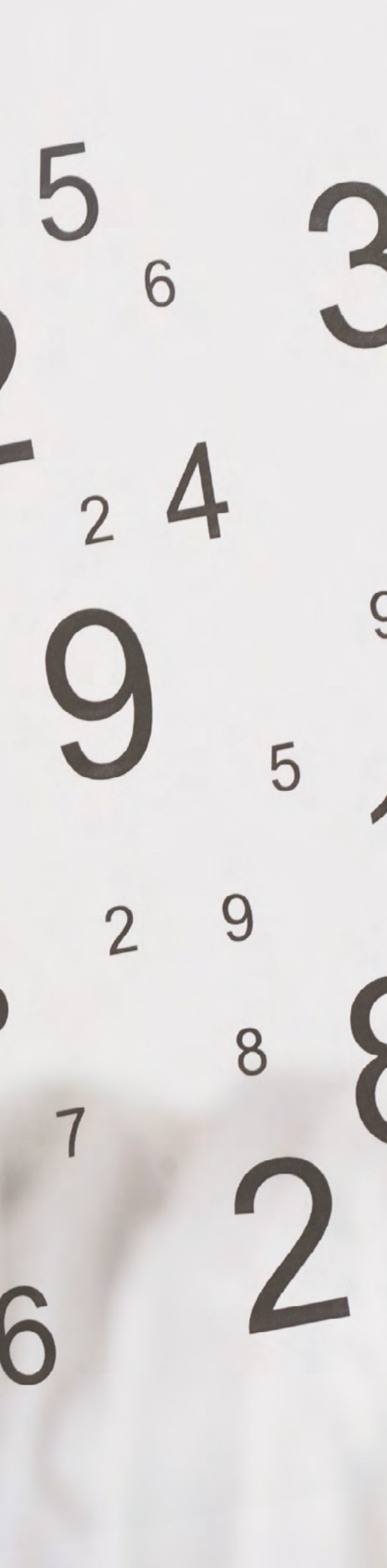
performance compensation. However, Desai (2005) argues that another dynamic may partly explain this pattern: the gradual erosion in the quality of corporate tax enforcement. Similarly, despite the absence of rigorous evidence on this link, editorials in *The New York Times* (2007), *The Washington Post* (e.g. Rattner, 2004), and *The Wall Street Journal* (2003) attribute the surge in corporate governance failures around the turn of the century to monitoring by tax authorities becoming more lenient over time. Reinforcing this argument, recent trends reveal concurrent steep descents in both financial reporting transparency and tax

Several commentators blame the watershed accounting scandals that marginalized outside investors on serious lapses in governance, including submissive boards and auditors, complicit analysts, and excessive reliance on pay-for-performance compensation.

enforcement; e.g. Desai (2003) and Slemrod (2007).

Research in taxation and corporate governance has begun to converge to reflect that the government’s interest in collecting tax revenues brings monitoring benefits to investors. Indeed, Desai (2005) and Robinson (1911) recount that concerns over the external oversight of companies led to the introduction of corporate taxes in the U.S. Dyck and Zingales (2004: 578) explain that, the government, which has a major financial stake in these companies stemming from their tax liabilities, may constrain insiders’ diversionary practices:

There is one de facto minority shareholder that is common to all companies: the government. As for minority shareholders, the Government has an interest in ascertaining the value produced by a company and getting a share of it. Transfer pricing, for instance, is disciplined by the tax code ... intracorporate transfers should take place at the price the two units would have charged in a competitive market. Hence, how tax authorities enforce their rules on transfer pricing



affects the incentives to transfer profits to related companies. The stricter the enforcement, the less controlling shareholder will use transfer prices to siphon out value at the expense of minority shareholders ... by aggressively prosecuting a company the Government sets an example that induces all the others to behave. Thus, it has an incentive to prosecute cases even when the cost of prosecution is higher than the money recoverable. Furthermore, the Government has the benefit of disciplinary powers that are simply not available to dispersed shareholders. Therefore, a better tax enforcement can have an important role in reducing the private benefits of control.

Stronger tax enforcement

Desai et al. (2007) characterize tax authorities as essentially another shareholder intent on preventing insiders from siphoning corporate resources. In integrating corporate governance and taxation, they argue that tough tax enforcement protects minority investors by exerting a chilling effect on insiders harbouring plans to divert income. Their theory is grounded in strict monitoring raising after-tax firm value when the benefit of stronger corporate governance outweighs the ensuing higher tax payments; e.g. overall, poor tax enforcement is actually destructive to shareholder welfare. For example, intensive tax enforcement can deter insiders from exploiting their position to pursue such selfish transactions as setting transfer prices at below market value to shift profits to companies that they personally own (e.g., Johnson et al., 2000), or conspiring to inflate stock prices by manipulating earnings to increase their own compensation (e.g., Erickson et al., 2006). Consequently, stronger tax enforcement that narrows the scope for managers to divert income benefits both governments through higher tax revenues and outside shareholders through higher returns on their investment.

Collectively, recent theory and evidence implies that outside investors perceive that tax enforcement looms large from a corporate governance standpoint.

This research is rooted in the intuition that insiders will have more difficulty denying outside investors by diverting corporate resources when the government imposes tighter tax enforcement. Desai et al. (2007: 5) stress: "Strong complementarities may exist between tax avoidance and managerial diversion because concealing income from the tax authorities through complex transactions reduces the ability of shareholders to monitor manager behaviour, thereby making diversion less costly for managers." In fact, Desai and Dharmapala (2006) document that investors only fully value tax avoidance when corporate governance is sound. Similarly, in indirect evidence consistent with this theory, Erickson et al. (2004) find that many public companies accused of orchestrating accounting fraud also deliberately overpaid their taxes, which they interpret as these companies trying to avoid arousing suspicion from tax authorities, regulators, and investors. Supporting the importance of tax enforcement to corporate governance, their research implies that these firms resorted to overpaying taxes by 11 cents to legitimize each dollar of fraudulently exaggerated earnings.

Still, direct evidence on the role that tax enforcement plays in corporate governance until recently has been scarce. However, Guedhami and Pittman (2008) initiate research on this issue by analyzing the impact of Internal Revenue Service (IRS) monitoring on the borrowing costs of U.S. private firms. Given that data on Canada Revenue Agency's enforcement activities is unavailable, they rely on reports

compiled by Transactional Records Access Clearinghouse (TRAC — a non-partisan research institute affiliated with Syracuse University that publicly disseminates comprehensive statistics on many U.S. federal agencies using the government's own real data). Guedhami and Pittman (2008) help settle whether corporate governance improves when these companies are subject to closer IRS scrutiny. After controlling for other determinants, they report evidence that debt financing is cheaper when the likelihood of an IRS audit is higher. Financially, they estimate that raising this probability from 19 per cent to 35 per cent translates into companies' interest rates becoming, on average, 25 basis points lower. In another way to calibrate its impact for the average sample company, annual interest savings exceeding \$465,000 accompany this 16 per cent increase in IRS audit rates. Guedhami and Pittman (2008)'s research suggests that a major by-product of intensive IRS monitoring is stronger corporate governance evident in lower debt financing costs. In other words, tough tax enforcement shapes investors' perceptions by enabling companies to become better known in the capital markets. Collectively, recent theory and evidence implies that outside investors perceive that tax enforcement looms large from a corporate governance standpoint.

Active monitoring by tax authorities protects the interests of outside investors by disciplining company insiders against depriving them of their fair share of earnings. The bottom-line conclusion that stricter tax enforcement actually benefits companies may appear counter-intuitive at first glance. However, the upside of stronger corporate governance, which leads to, for example, lowering borrowing costs, more than compensates for the higher tax payments that naturally result from tighter tax enforcement. From a policy perspective, this research provides some preliminary support for the position that corporate governance reforms should include focusing on enforcing tax laws to generate the "positive externality" of better corporate governance. In comparison, the upshot for managers interested in applying

these insights in practice might be to disclose to their outside investors and lenders when they have experienced a corporate tax audit since this form of external monitoring, when visible, may be valuable for lowering the cost or improving access to financing. ⁿ

Jeffrey Pittman, PhD, CMA, CA, CMA Professor of Accounting, Faculty of Business Administration, Memorial University of Newfoundland.

Research for the preceding article was funded by CMA Canada through the Canadian Academic Accounting Association (CAAA).

References

- Desai, M. A. 2003. "The divergence between book income and tax income," in J. Poterba (ed.) *Tax Policy and the Economy* 17 (Cambridge, MA: MIT Press, 2003), 169-206.
- Desai, M. A. 2005. "The degradation of reported corporate profits." *Journal of Economic Perspectives* 19: 171-192.
- Desai, M.A. and D. Dharmapala. 2006. "Corporate tax avoidance and high-powered incentives." *Journal of Financial Economics* 79: 145-179.
- Desai, M. A., A. Dyck, and L. Zingales. 2007. "Theft and taxes." *Journal of Financial Economics* 84: 591-623.
- Dyck, A. and L. Zingales. 2004. "Private benefits of control: An international comparison." *Journal of Finance* 59: 537-600.
- Erickson, M., M. Hanlon, and E. L. Maydew. 2004. "How much will firms pay for earnings that do not exist? Evidence of taxes paid on allegedly fraudulent earnings." *The Accounting Review* 79: 387-408.
- Erickson, M., M. Hanlon, and E. L. Maydew. 2006. "Is there a link between executive equity incentives and accounting fraud?" *Journal of Accounting Research* 44: 1-31.
- Guedhami, O. and J. A. Pittman. 2008. "The importance of IRS monitoring to debt pricing in private firms." *Journal of Financial Economics*, forthcoming.
- Johnson, S., R. La Porta, F. Lopez-de-Silanes, and A. Shleifer. 2000. "Tunneling." *American Economic Review* 90: 22-27.
- Rattner, S. 2004. "Why companies pay less tax." *The Washington Post* May 18 at A19.
- Robinson, M. 1911. "The federal corporation tax." *The American Economic Review* 1: 691-723.
- Slemrod, J. 2007. "Cheating ourselves: The economics of tax evasion." *Journal of Economic Perspectives* 21: 25-48.
- The New York Times. "The light-touch tax audit." January 15, 2007.

Why wait until tomorrow?

Lean ■ DMS ■ BPT ■ Logistics ■ WMS
Maximo ■ Microsoft Dynamics ■ Oracle ■ SAP ■ SYSPRO

www.thecreatechgroup.com ■ 905 614-2750 ■ 514 937-1188

The Createch Group
A Bell Canada COMPANY



Reform in the governance and responsibility management systems in china's hospital sector

In-depth report:

Since the 70s, economic reform has brought prosperity to China and wealth to its people; however, it has also caused the collapse and breakdown of China's health system in the 80s, resulting in inequity in access to and use of health services.

By Yee-Ching Lilian Chan, FCMA

The transition from a centrally-planned to a market-driven economy, coupled with reduced government spending on health care, has forced state-owned hospitals to focus on generating new sources of revenue, which eventually leads to public outcry on the accessibility and affordability of health services. Ongoing debates on health care reform in China have begun since the 1980s. The State Council (or the Central People's Government) and the Ministry of Health of China have taken the leadership role and launched a number of reform initiatives for China's health system over the last 15 years. The State Council has declared 2008 as the Year of Health-care Reform and designated the hospital sector to be a focused area of reform.

China's health system pre-economic reform

Under the centrally-planned economy from 1950 to 1978, the Central People's Government of China (hereafter the Central Government) established a three-level health-care protection system which ensured that resources are available to meet the basic health needs of the Chinese population. The first level is public medicine (government insurance schemes), a state-owned, state-provided and state-financed program, which aims at providing free health services for the serving as well as retired state officials. The second level is collective medicine (labour insurance schemes), a state-provided and enterprise-financed program, which focuses on providing health services to employees and retirees of state and collective enterprises at a nominal fee that is symbolic and minimal. The third level is cooperative medicine (rural cooperative medical system), a cooperative collectively-funded program with small government subsidy, which provides free or subsidized health services to the rural population.



During this period, almost all of the hospitals in China were state-owned institutions, with a few owned by enterprises. The Central Government had control over the pricing of health services; setting it at a level well below cost to ensure public has access to affordable health services. It also had influence over the appointment of administrators, medical professionals, health workers and others in hospitals. Employees of state-owned hospitals are state officials; both their positions and salaries are under the control of the Central Government's human resource planning.¹ Moreover, compensation for medical professionals and health workers in those days was low in relation to their training, status and contribution to patient care and hospital operation.

Challenges for hospital sector post-economic reform

As part of the economic reform, the finance bureau of the state has changed its contractual relationship with health service providers, including hospitals. During the 1980s and 1990s, government funding for hospitals has decreased to about 14 to 30 per cent of a hospital's total expenditure.² To compensate for the decrease in government subsidies, hospitals are given greater flexibility and authority in developing and establishing prices for new health services and western drugs. State-owned hospitals have to shift their attention towards developing profit-seeking businesses, such as hostel services, to support their operations.

Despite the general principles and directions given on hospital reform, considerable challenges have yet to be resolved in hospital management.

In addition to generating more funds to support their operations, hospitals have to produce more revenue to provide equitable compensation for medical professionals, especially doctors, because their basic salary remains relatively low. Some hospitals set up "responsibility system" in which bonuses are awarded to doctors based on the revenue they produce for the hospitals. Since the government still retains control over prices of basic health services, additional revenue can only be generated by increasing utilization of expensive western drugs and deregulated specialized health services. This results in over-prescription of expensive western drugs and over-utilization of high-tech health services.³ Evidently, many of the drugs prescribed and health services ordered are unnecessary.⁴ Some doctors have gone further and supplemented their income through informal channels, including kickbacks from drug companies and cash payment in red pockets from patients.⁵ Financial burden from escalating health-care costs continues to fall upon the public;

forcing some into bankruptcy and others not to seek health services at all.

The challenges that hospitals experienced during the changeover of a publicly-funded health-care sector to one financed by user fees can be attributed to a hospital's lack of autonomy, especially with respect to its financial and human resource management, since the Central Government still has substantial jurisdiction over the health-care sector. Apart from reduced funding to the hospital sector, the government has control over the pricing of basic health services which does not allow for cost recovery for hospitals. At the same time, hospital staff members are state employees who normally stay and work at a hospital until retirement. This traditional tenure system creates additional pressure on revenue-generating activities as government subsidies can barely pay for the salaries of hospital employees and retirees. The tenure system also produces excess service capacity in some hospitals while others have to deal with the employment of unproductive, incompetent medical professionals. There is increased pressure on hospitals to provide equitable compensation for medical professionals. Focus on generating revenue not only causes dysfunctional health-service behaviour, including over-prescription of expensive western drugs and over-utilization of high-tech health services, but also directs more investment towards hospital hardware and infrastructure while overlooking the importance of the quality management and cost containment of health services.

The fact that state-owned hospitals are public institutions which have to generate revenue on a fee-for-service basis is unique in China's health-service delivery system. The profit-making objective of state-owned hospitals developed during the changeover of a government-supported health-care sector to one that is chronically underfunded is incongruent with the Central Government's principle in the current health-care reform which regards health care as a social welfare good.

During this period, the State Council focused its resources and efforts towards constructing the infrastructure for the nation's economic development. Its response to implementing health-care reform initiatives has been relatively slow. Because of the collapse of the rural cooperative medical system and the gradual deterioration of the labour insurance schemes, initiatives in health-care reform have focused on establishing a sustainable medical insurance system for both the rural and urban population.

At present, China's medical insurance system consists of urban employee medical insurance for the employed, including workers with flexible employment and migrant workers; urban resident medical insurance for the unemployed, including seniors, children and students; and a new rural cooperative medical system for rural peasants.

Health-care reform in the health-service market

Reform in the medical insurance market has signaled the

Central Government's approach to funding the health system as the purchaser of health services, e.g. demand-side financing. Government funding will still be provided to public and state-owned hospitals,⁶ which will remain as the core of China's health service delivery system. Although the Central Government has opened the door for health-care institutions to change since 1985, the growth in private hospitals has been slow until the turn of the century because of strict government control and approval for privatization. As a member of the World Trade Organization, the Central Government has approved for foreign ownership of health-care institutions. Nonetheless, private hospitals will continue its supplementary role as alternative health-service providers.

Although the State Council has increased its investment in the health system, fiscal subsidies to public and state-owned hospitals will still be limited. Accordingly, hospitals must work towards providing quality health services at a low cost to sustain its competitiveness in the health-service market. Consequently, in a report to the 17th Congress of the Communist Party of China, it is recommended that reform in the health-service market must adopt four principles of separation, e.g. separation of policy from administration, separation of governance from management, separation of drugs from health services,⁷ and separation of for-profit and not-for-profit organizations. Moreover, the management structure, operational structure, investment structure, pricing structure, governance and control structure, technology and human resource protection structure, communication structure and legal structure of hospitals have to be changed to facilitate the development of market mechanism in the health-service market to ensure that safe, effective, convenient and inexpensive public health and essential health services are provided to China's entire population.

Challenges in hospital reform

Despite the general principles and directions given on hospital reform, considerable challenges have yet to be resolved in hospital management. Government's increased financing of the urban resident medical insurance and new rural cooperative medical systems signals China's emphasis of the social welfare characteristic of health care in the current reform. State-owned hospitals, on the other hand, have focused on profit-seeking activities during the 1980s and 1990s in response to reduced government funding and increased fiscal constraints. The first critical task in hospital reform is to align the mission and goals of hospitals with the government's objective of establishing a health system which focuses on the social welfare characteristics of health services.

There is no clear distinction in the responsibilities between government agencies and state-owned hospitals as hospital administrators are appointed state officials. The challenge in hospital reform is to establish a control mechanism with a clean separation of policy from administration such that the

government and state officials are responsible for setting policies related to health care while hospital administrators are professional managers in charge of running their organizations.

Many CEOs of state-owned hospitals are state officials. They are not professional managers trained for the job. For hospital CEOs whose personal goal is to be government officials, it is difficult for them to manage a hospital successfully. As a hospital CEO commented, "being a hospital CEO is difficult; being a public hospital CEO is more difficult; being a public hospital CEO during the transition of public hospitals is even more difficult when the concepts and directions of health-care reform are unclear and undefined."⁸ It is critical to establish a governance structure for hospitals with a well-defined responsibility and accountability system for hospital CEOs. Thus, it is vital to change the attitude and behaviour of hospital CEOs from that of state officials to professional managers. The establishment of an effective governance structure and responsibility management system is also important to facilitate the separation of governance from management and the separation of policy from administration.

Many CEOs of state-owned hospitals are state officials.

In the 1990s, as part of the health-care reform of the medical insurance system, the Central Government constructed drug formularies with predetermined fee schedules and established caps for revenue from drug sales. This placed a limit on a hospital's ability to generate revenue from drug sales. With the policy on the separation of drugs from health services, hospitals either have to look for alternative sources of revenue or control health-care costs to maintain its financial health. This, again, poses substantial challenges for state-owned hospitals which have to regard health care as a social welfare good and keep clear of the profit-making objective. Cost containment is just as difficult because hospital CEOs do not have full autonomy and authority in managing their organization's human resources.

Organizational reform in the hospital sector

According to the World Bank report on the organizational reform of public hospitals,⁹ autonomization, corporatization and privatization are the three common approaches used in transforming public hospitals into more effective and efficient health-service providers. First, autonomization is characterized by the magnitude of control that is shifted from the government to the hospital, including control over resource allocation, scope of activities, financial management, human resource management, strategic management, clinical



and nonclinical administration, etc. The government still retains its supervision and control over hospitals, which continue to operate as public service organizations, with performance contracts and review making up the accountability system. Prospective global budget is a commonly used financing mechanism to control cost, and hospitals have full autonomy and responsibility in managing their finance. Second, under corporatization, hospitals are established as legal corporate entities with major government representation in the hospital board. Hospitals as incorporated entities participate in the competitive health-service market as private (people-run) enterprises. They are responsible for their operating deficits/surpluses, and some hospitals may go into bankruptcy for poor financial management. Third, privatization requires hospitals to be established as legal corporate entities where the government withdraws its direct control over the hospitals with no representation in the hospital board. All three approaches have been adopted in the organizational reform of hospitals in China.

New management structure, including the establishment of hospital management committee, operating committee and board of directors, is proposed for not-for-profit and for-profit hospitals.

Autonomization is the principle organizational reform seen in the hospital sector in the 1980s. One of the first reform initiatives was the establishment of performance contracts between local health bureaus and hospitals with regard to human resource planning, health service quantity and quality standards as well as fiscal subsidies. Hospitals have autonomy in the management, operation and allocation of hospital resources under the performance contract. Apart from increased autonomy, health workers and health-care institutions are permitted to offer health services for a fee. Moreover, a higher fee can be charged for specialized health services but these health-care expenditures will not be covered by the government and labour insurance schemes. Despite their mission as public institutions, state-owned hospitals have changed into fee-for-service organizations which emphasize revenue-generating activities and profit-seeking objectives in order to produce funding for their operations.

In 2000, the Central Government introduced another reform initiative for the hospital sector: the distinction of not-for-profit and for-profit health-care institutions, which are determined on the basis of their nature, social functions and

responsibilities. Not-for-profit and for-profit hospitals are subject to different financing, taxation and pricing regulations. Not-for-profit hospitals are the core of China's health-service delivery system, and they are responsible for providing basic health services and limited non-basic health services. For-profit hospitals, on the other hand, provide specialized health services at prices as determined by public demand and market competition.

New management structure, including the establishment of a hospital management committee, operating committee and board of directors, is proposed for not-for-profit and for-profit hospitals. Many state-owned and enterprise-owned hospitals have registered as not-for-profit organizations. However, many not-for-profit hospitals have not registered as independent legal corporate entities yet, and their relationships with the government remain unchanged. Despite the possibility of corporatization and privatization, the health-service market is still dominated by public state-owned not-for-profit hospitals.

Cases of organizational reform in the hospital sector

A. Regional control framework for state-owned hospitals

Weifang in the Shandong Province has established a new monitoring system and control framework for all state-owned hospitals in the city.¹⁰ In the past, a number of departments in the municipal government of Weifang, including health, human resource and social security, finance and organization are responsible for the corresponding functions at state-owned hospitals. In 2005, the health bureau at Weifang set up a hospital management centre, which is responsible for the operation of all state-owned hospitals. In this reorganization, the health bureau serves as the control centre of Weifang's health-service sector. It is responsible for implementing the government's health-related policies and coordinating other departments' functions in the health-service sector. The hospital management centre represents the government and exercises the ownership right over the management and operation of all state-owned hospitals in the city. It only has to report the performance of state-owned hospitals to the local health bureau. The hospital management centre, as an executive unit of the local health bureau, has among other responsibilities the right to appoint and dismiss hospital CEOs. The new structure strengthens the control mechanism in Weifang's hospital sector. It promotes the separation of policy from administration as well as the appointment of professional managers in the hospital sector. By and large, the reorganization in Weifang's monitoring system and control framework on state-owned hospitals has been successful. Empirical findings¹¹ indicate that there are increases in hospital surplus and improvement in health service quality, but a reduction in fees for health services and a decrease in hospital revenue from drug sales, thereby achieving a gradual separation of

drugs from health services.

Besides Welfang, health bureaus and departments of health in Suzhou, Wuxi, Shanghai and Beijing's Haidian District have implemented different monitoring systems and control frameworks; the objective of which is to separate governance from the management and operation of hospitals.¹² In each of these areas, an institute responsible for the control and management of hospitals was established to monitor and evaluate performance of hospitals in the area. For instance, the Suzhou hospital management centre is responsible for managing the human resource, finance and operations of all hospitals in the area; the Wuxi hospital management centre is in charge of monitoring hospital management and operations; the responsibilities of the institute in Shanghai have expanded from a simple health financing organization to one charged with the overhaul of the management of state-owned hospitals; and the Beijing Haidian District public service committee is responsible for understanding the public's needs for health and other public services and then making purchases of required services by establishing a contractual management systems for hospitals in the area. These institutes either operate as a public unit, a special regional government unit, a state-owned not-for-profit corporation or an administrative management unit.

Although the control frameworks developed are different for different cities and districts, the common objectives and outcomes of these reform initiatives are a separation of policy from administration as well as separation of governance from management for individual hospitals. The separation requires government leadership in formulating health-related rules and regulations as well as governance policies with a clear responsibility and reporting structure established among hospital CEOs/administrators, hospital boards or authorities as well as local health bureaus and departments of health.

B. Governance structure at hospitals with dual/private ownership

A philanthropist from Taiwan donated US\$5 million to the People's Hospital of Dongyang in 1990.¹³ This formed a dual ownership structure which included the state and the donor. With capital donated from a philanthropist, the People's Hospital of Dongyang

continues to operate as a not-for-profit hospital to this date, but the governance structure of the hospital has changed to include three committees: the operation administrative office, the hospital development committee and the finance auditing committee. These three committees are responsible for monitoring performance of the hospital CEO and his/her management team. They are accountable to a board of directors which in turn reports to a supervisory committee and the municipal government. The board of directors, in this case, acts as the liaison between the municipal government and hospital administrators, and it is responsible for the appointment, performance assessment and compensation of hospital CEO. The hospital CEO has extensive responsibility and authority in running the hospital, including the appointment of professional managers to his/her management team. With the injection of public welfare capital and the new governance structure, the People's Hospital of Dongyang achieved its operating objectives with improved performance, including a decrease in both in-patient and out-patient fees; a decrease in the proportion of total hospital revenue from drug sales; an improvement in workers' productivity; and an increase in

The
knowledge
to compete

Spratt MBA

Fit your program to your career goals with the choice of four concentrations.

- **Financial Management**
- **International Business**
- **Management & Change**
- **Technology Management**

Get the knowledge to compete with the Spratt MBA.

spratt.carleton.ca/mba


SPROTT
SCHOOL OF BUSINESS

 **Carleton**
UNIVERSITY



operating revenue. The new governance structure moves the hospital a step closer towards the separation of governance from management.

Another philanthropist from Hong Kong donated HK \$70 million and US\$4 million for a new hospital in the province of Zhejiang. Sir Run Run Shaw Hospital, a hospital affiliated with the school of medicine of Zhejiang University, opened its door for patient care in 1995. The governance and responsibility management system¹⁴ at Sir Run Run Shaw Hospital includes a board of directors, an operating committee and a responsibility system for the hospital CEO. The board of directors is made up of two to three representatives from the Sir Run Run Shaw Charitable Trust, Zhejiang University and Loma Linda University Medical Center, a partner in the management of the hospital. The board is responsible for making decisions related to the hospital's mission, development strategies as well as major construction and development projects. The operating committee is chaired by the CEO, and its membership includes the party secretary and vice-presidents. It is responsible for the hospital's organization structure; human resource management, including the appointment and dismissal of department heads and hospital staff; operating budget and major expenditure; financial analysis; operational planning; major event organization; reporting as well as performance assessment and review. Other committees, such as materials purchasing and medical services, are established to facilitate better planning and execution on various aspects of the hospital's operations. The hospital CEO expanded responsibility and authority, including the appointment and dismissal of vice-presidents and department heads. He/she also chairs the medical service operating committee, the highest administrative committee of medical services, which is responsible for the management of medical services and affairs; development of policies and regulations related to medical services to ensure quality and better coordination of medical services provided; and organization and implementation of development plans of medical services to promote the communication and coordination of activities between medical and administrative departments. A number of medical service subcommittees was established to ensure that policies and regulations on medical services are followed; plans executed effectively; operating problems resolved successfully; and performance reported to the medical service operating committee. In addition to the governance and responsibility management system, formal job description and terms of reference were established for each position. All department heads have to sign a work accountability agreement with their staff, and all hospital employees are contract appointments. A salary scale has also been established for different positions with annual salary increases based on performance assessment.

Governance and responsibility management reform in China's hospital sector

Reform in China's hospital sector has progressed slowly over the last two decades. A number of local health bureaus and individual hospitals have experimented with different control frameworks, governance structures and responsibility management systems with varying degrees of success. Corporatization, which provides hospital administrators full autonomy in management with an effective governance structure, should be the next step and focus of hospital reform in China. The governance structure, which includes a hospital board, eliminates the multi-layered principle-agent relationships that exist among the people, government, hospital CEO and health workers, thereby enhancing various stakeholders' benefits, functions, responsibilities and control over health services. Corporatization has been shown to be effective in improving the hospital's operating efficiency and satisfying the needs of both the patients and the society.¹⁵ It also provides government an opportunity to change its role from management of hospitals to policy maker in the health service delivery system. Moreover, corporatization reduces the Central Government's monopoly and allows a system of multi-structured hospitals with different ownership constructs to be established in the health service market.

Reform in China's hospital sector has progressed slowly over the last two decades.

Despite the classification of many state-owned hospitals as not-for-profit organizations, a great number of these hospitals are still managed by state officials appointed by the government. There is neither a separation of policy from administration nor a separation of governance from management. With corporatization, the board of directors becomes the highest administrative unit in the hospital. It will be responsible for strategic planning; fiscal management and reporting; building and maintaining key relationships with stakeholders; quality management initiatives; and monitoring, evaluating and reporting performance of the hospital and the CEO. Because of their governance and stewardship responsibilities, board directors should be appointed or elected based on their leadership and communication skills, health and business background as well as knowledge and experience in governance. The board should also be diverse and representative of all stakeholders, consisting of delegates from the government, investor groups, hospital management, medical professionals, community leaders

and the general public. The construction of a competent and diverse board is critical to establishing an effective governance structure for hospitals, progressing effectively towards a separation of governance from management.

Apart from the construction of an independent and competent board, the employment and empowerment of business professionals to manage hospitals is another critical component for the current hospital reform. Instead of the traditional tenure system for state officials, hospital CEOs and administrators should be on contractual appointment. They should be appointed based on his/her professional competence, practical experience in the health-service delivery system and past performance. A responsibility management system with performance assessment and incentive compensation should be developed to hold hospital CEOs and administrators accountable for their performance. Similar systems should be established for medical professionals and health workers, with an emphasis on performance assessment against their peer groups and establishment of equitable and competitive compensation which recognizes their medical training, professional competence and experience in providing quality health services to the patients. Bonus plans, however, are not recommended for medical professionals and health workers because they can lead to dysfunctional behavior of doctors¹⁶ and higher health-care costs. Term employment contract and peer performance review should be adequate in motivating medical professionals and health workers to improve their individual performance and contribution to hospital operation.

Fee for specialized health services and revenue from drug sales remain the major sources of funding to hospitals to compensate for decreases in government subsidies. This unique characteristic has separated China's health-service delivery system from those of other countries, e.g. Canada, where the government provides significant funding to the hospital sector. The Central Government of China has put its health-care spending in the medical insurance market with government subsidies for the insured in the urban resident medical insurance schemes and the new rural cooperative medical system. Consequently, using appropriate provider payment methods, such as prospective global budget and capitation payment, the cost control objective in hospitals can be achieved. Moreover, setting regulations on drug prices, cap on revenue from drug sales as well as cap on revenue of deregulated and specialized health services will gradually reduce the impact of drug cost on health-care expenditure for both the patients as well as the nation as a whole.

Continuous reform in the hospital sector, as stated in the report to the 17th Congress of the Communist Party of China, should work towards the separation of policy from

administration, separation of governance from management, and separation of drugs from health services. n

Yee-Ching Lilian Chan, PhD, FCMA, is a professor and chair with the accounting and financial management services area, DeGroot School of Business, McMaster University. The author would like to thank CMA Ontario for its generous support for the preceding study.

¹Hui Dian Marketing Research Reporting Net. "Discussion of the Reform of Urban Health Service System," <http://www.hdcmr.com/article/jzqb/05/02/6632.html>, accessed on May 29, 2008.

²Hsiao, W. C. (1995). The Chinese Health Care System: Lessons for Other Nations. *Social Science and Medicine*, 41 (8), 1047-1055.

³Hsiao, W. C. (1995). The Chinese Health Care System: Lessons for Other Nations. *Social Science and Medicine*, 41 (8), 1047-1055; Wong, V. C., & Chiu, S. W. (1998). Health-care Reforms in the People's Republic of China. *Journal of Management in Medicine*, 12 (4/5), 270-286.

⁴Meng, Q., Liu, X., & Shi, J. (2000). Comparing the Services and Quality of Private and Public Clinics in Rural China. *Health Policy and Planning*, 15 (4), 349-356.

⁵Bloom, G., Han, L. & Li, X. (2001). How Health Workers Earn a Living in China. *Human Resources for Health Development Journal*, 5(1-3), 25-38.

⁶At the end of 2007, China has a total of 299,000 healthcare institutions; including 19,847 hospitals, 27,054 community health service centres, 40,678 health centres, 39,836 village and township health centres, plus others. Among the 19,000 plus hospitals, there are 4,687 Class I hospitals; 6,608 Class II hospitals, 1,182 Class III hospitals and the remaining hospitals have not yet been classified. (Ministry of Health. <http://202.96.155.169/publicfiles/business/htmlfiles/mohbgt/s6689/200804/33525.htm>, accessed on May 20, 2008.)

⁷Since hospitals have depended on revenue from drug sales to finance their operations during the era of economic reform, the principle of the separation of drugs from health services means that drug sales (revenue) should not be used to finance the provision of health services (expenditure) in hospitals.

⁸The China Hospital CEO. <http://www.chceo.net/hospitalceo/ReadCeoArticle3.asp?NewsID=82&clssid=1>, accessed on March 24, 2008.

⁹Harding, A. and Preker, A.S. (2000). *Understanding Organizational Reforms: The Corporatization of Public Hospitals*, Health, Nutrition and Population (HNP) Discussion Paper, The International Bank for Reconstruction and Development/The World Bank, Washington D.C., U.S.A.

¹⁰Zhao, M., & Ma, J. (2007). Analysis of Managerial System Reform for State-owned Hospitals in Weifang. *Chinese Hospital Management*, 27 (8), 9-12.

¹¹ibid.

¹²Shi, M. (2007). The Comparison and Analysis of the Mode of "Separation of Hospital Management from Hospital Operation" Practiced in the Area of Suzhou, Wuxi, Shanghai and Beijing's Haidian District. *Chinese Hospital Management*, 27 (8), 13-16.

¹³Ying, Z.-X., Zhang, D.-l., Shen, J., & Zhu, C.-M. (2006). An Empirical Study of the Governance Structure of Public Hospitals after Absorbing Public Welfare Capital. *Chinese Journal of Hospital Administration*, 20 (9), 633-635.

¹⁴Medicexchange PLC. http://www.maydeal.com/h_admin/Readnews-6367.html, accessed May 22, 2008.

¹⁵21st Century Economics News. http://www.ce.cn/cysc/zzy/jrgx/200805/08/t20080508_15393050.shtml, accessed on May 29, 2008.

¹⁶Liu, X. and Mills, A. (2005) "The Effect of Performance-Related Pay of Hospital Doctors on Hospital Behavior: a Case Study from Shandong, China", *Human Resources for Health* 3(11):1-12.

Breaking into new frontiers

CMA Canada's new board chair, Michael Tinkler, says 2009 will be the year to strengthen international initiatives.

By Andrea Civichino

At CMA Canada, 2008-2009 will be known as “the year of exploring new territories, forging global frontiers in strategic management accounting, transforming the research agenda and driving quality management growth.”

As 2009 quickly approaches, Michael Tinkler, CMA, FCMA, is on board to continue to steer the Society into uncharted waters as he takes on the role as the Society's chair of the National Board of Directors.

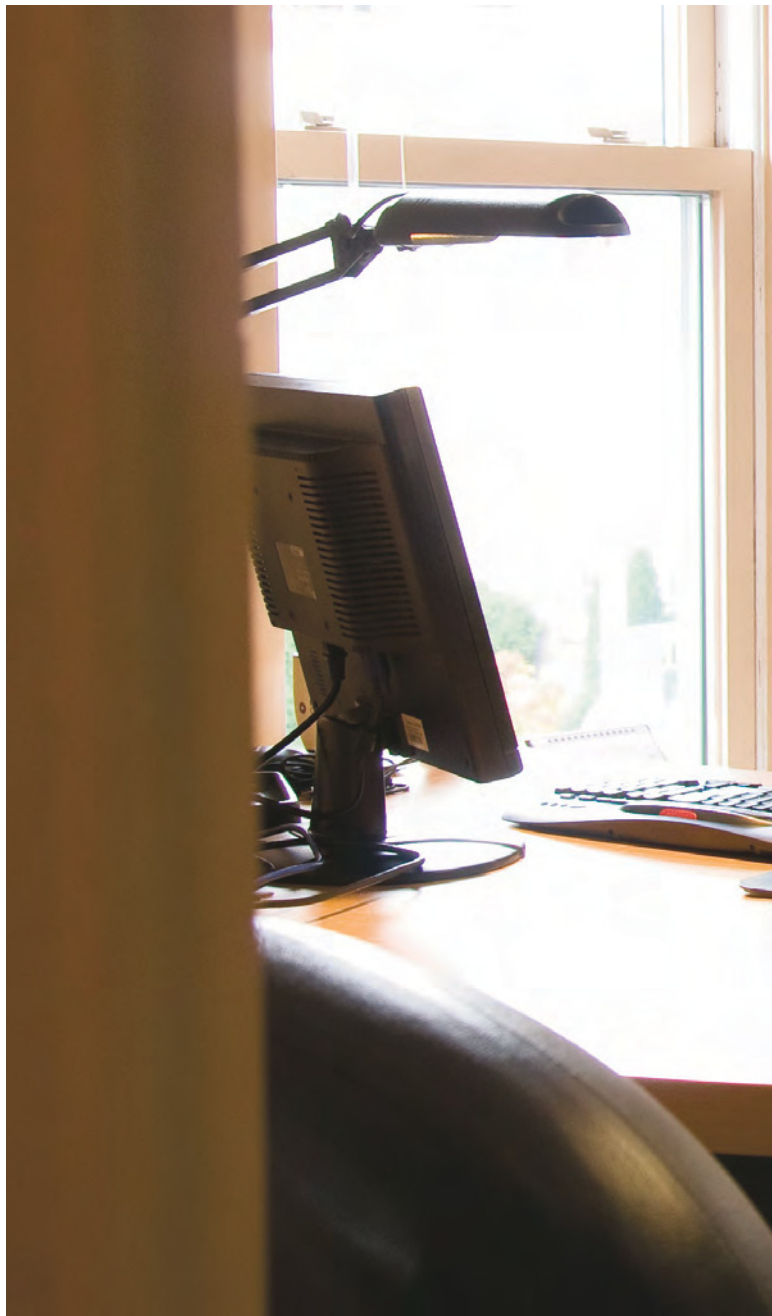
“The Board has made great strides over the last number of years,” Tinkler says from his office in Gatineau. “This year, it's our mission to continue to work with what's already been established; particularly with regard to our international strategy and the strategic alliances that we've been working on.”

As the new chair, Tinkler brings experience working with the federal government and private sector, particularly in the application of activity-based costing and activity-based management. He is a frequent presenter at conferences and has delivered a number of web seminars via the bettermanagement.com website. Tinkler has worked in consulting for Arthur Andersen & Co., and Raymond Chabot Grant Thornton. He was a full-time professor of management accounting at the Université du Québec en Outaouais, a founding partner of Samson & Associates, and a founding shareholder of Synerma Inc., where he was vice-president from 2000 to 2008. In June 2008, Synerma was acquired by Raymond Chabot Grant Thornton, where Tinkler is now a professional practice manager, responsible for the activity-based management practice.

“I spent eight years as a full-time professor and my consulting career has focused on strategic management accounting,” he says. “I'm well versed in what CMAs do.”

Global initiatives

Tinkler says CMA Canada will break into new frontiers in 2008-2009. “This year will be the year that our international initiatives will become a reality,” he says with enthusiasm. He



adds that, CMA Canada will continue to build global market demand for CMAs and CMA products through strategic alliances with international professional organizations and participation in joint professional development courses.

The newly renamed partner, “CMA Nova Scotia, Bermuda, and the Caribbean,” will take advantage of the historic partnership between Nova Scotia and the West Indies, as well as the strength of the “Canadian” brand that is highly valued in these markets. CMA Nova Scotia, Bermuda, and the Caribbean, have focused on locally-based markets with a critical mass of university graduates in well-diversified economies. The partnership will build on Nova Scotia's expertise in delivering programs outside natural borders, given that CMA Nova Scotia has been operating a vibrant chapter in Bermuda for almost 30 years, and offers the only locally-based professional accounting program in that



Cover Photo: Dwayne Brown

country. The timing couldn't be better to enter these markets, given the Caribbean-wide strategy to make great investments in human capital to be globally competitive. CMA's local partner is the well-respected University of the West Indies, along with their network of institutions (e.g. the graduate-level business schools), with an initial focus on the Barbados, Trinidad, and "open" campuses, with a vision on expanding over time to include the Jamaica campus. In addition, these are the first markets outside Canada to offer the full suite of CMA programs in class, including the CMA Accelerated Program, CMA Strategic Leadership Program, combined MBA-CMA programs, and the CMA Executive Program. Also, along with Bermuda, these are new markets outside of Canada where CMA has started to offer high-calibre professional development events for business professionals, both CMAs and members of other designations,

independently and in tandem with credible local partners, but under the CMA brand.

"Improving the strategic alliances in Canada and overseas will strengthen the CMA designation, make it more recognized and attract other professionals to our designation," he says. "We've accomplished a lot in the past four or five years and developed initiatives that we struggled to get done for a number of years before that ... the balanced scorecard, the risk management framework, the CMA Competency Map. We're starting a review phase for the competency map and strategic plan. It's important that these two vehicles are progressive and strengthened as we go forward."

Marketing strategy

Branding initiatives will continue to bring CMA Canada high visibility in the marketplace and enhance the Society's key

strategy of quality growth.

To further support the Society's branding initiatives, CMA Canada will continue to develop its brand platform "Creative Accountants," which was launched in mid-2008 to illustrate how the CMA discipline integrates strategy, management and accounting to help produce terrific creative problem-solvers.

In 2007-2008, a number of provinces recorded significant growth in both entrance examination writers and strategic leadership program registrations. For example, Alberta and Quebec experienced growth rates of 45 and 26 per cent from last year. The dramatic growth is due to the recruitment initiatives and strong CMA brand presence.

"The growth of student numbers writing the entrance examination is very encouraging; however, we cannot afford to relax and enjoy the fruits of

our labour," Tinkler says. "As in any competitive environment, other accounting designations are emulating our successful programs. We are considering three new initiatives that will position CMA Canada in an unprecedented market for CMAs."

Although there are several initiatives underway, Tinkler admits that the growth of the Society will be a major undertaking. "Growth is always a challenge, for any organization. The competition out there is very strong," he says. "We're competing with not only other accounting designations but also with MBA programs and need to keep pushing the attractiveness of the CMA designation and trying to open up new bridges to other groups that could become excellent strategic management accountants but may not have come through the traditional accounting route."

CMA Canada will continue to

implement programs that are designed to position CMA Canada as the owner of strategic management accounting, internationally enhance global recognition of the CMA designation as a prestigious credential in strategic management accounting, and drive quality membership growth. This will involve CMA Canada leading global efforts to advance the management accounting profession, building mutually beneficial relationships with professional bodies outside Canada and evaluating and advancing growth initiatives in international markets.

"What's of interest to me is making sure that CMA Canada can continue to apply these things not just in theory, but in practice," he says. ▀

Andrea Civichino is Editor-in-Chief of *CMA Management*.

Need a change?



We can help.

From coast to coast, our recruiters are specialized in the placement of top-tier permanent, temporary and contract talent in accounting and finance.



DA
apl.in.com | **DAVID APLIN**
RECRUITING

On a personal note

On being a team player: "It's something that's a key part of functioning in the business world today and it's a part of my daily routine. For younger CMAs, acquiring teamwork skills is really important."

On being proactive: "If you're not proactive, you run the risk of running into a huge wall. You always have to be thinking ahead and looking at your objectives, whether it's business or personal and look at what's the most important thing you can do to move forward."

On life away from the office: "I enjoy reading, walking, and spending time with my wife; given all the other demands of my time."

On his long-time involvement with CMA Canada: Tinkler received his CMA designation in 1973, and in 1991, received his FCMA, an honorary designation recognizing his contribution to the management accounting profession, CMA Canada, and the community.

He's held the positions of provincial president, chair of the competency development committee, served on a significant number of task forces, including, governance and the integrated accountability framework task force. Tinkler is also a chartered accountant, a certified management consultant, and a chartered director.

Why the CMA designation: "I was working for a large accounting firm and I was offered the possibility of transferring into management consulting. I felt that the CMA designation would be more useful to me as a management consultant than the CA designation, and of course that has turned out to be entirely true."



Certain individuals and companies affected by anti-laundering legislation

Although new anti-money laundering laws have been instated, the consensus is it's business as usual for many industries.

By Arda Ocal

Post Sept. 11 2001, terrorist financing and money laundering were brought under a more watchful eye. The amendments to the federal anti-money laundering legislation that came into effect on June 23, 2008, have had a great impact on many individual professionals and companies from a wide variety of industries — particularly securities and insurance brokers, financial advisors, and even retailers.

“FINTRAC is there to provide guidance, but they will not certify that someone’s practices are compliant,” Veilleux says.

As a result of the legislative framework, certain companies and individuals are required to adhere to the following:

- 1 Report attempted suspicious and large curb transactions to The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).
- 1 Keep records of clients’ personal information for five years’ duration.
- 1 Employ mandatory compliance regime, employ-



ee training and education.

- 1 Revise agreements with business partners (e.g. between retailers and credit card companies) to ensure compliance.

In addition to the new regulations, real estate developers are required to meet client identification, record-keeping and transaction-



money management

reporting requirements under the Proceeds of Crime (money laundering) and Terrorist Financing Act. Casinos need to report to the FINTRAC of any large disbursements and keep records in respect of these transactions.

Patrick Veilleux, a lawyer with McCarthy Tétrault and a member of the firm's litigation group that also specializes in anti-money laundering legislation, elaborates: "Compliance programs now require that policies and procedures be in writing and updated every two years.

"Accountants already comply with most of these rules, and they will make sure that their clients comply with their rules."

Employee training must be conducted. Within the compliance program, there must be a written evaluation which is risk-based. Every entity must be analyzed or established — which activities would be more susceptible to money laundering or terrorist activities. Identify which ones are high risk, they must then put those through case studies and find a solution."

Veilleux adds that, industries with frequent client interaction and large monetary transfers, like real estate, need to perform identity checks on their clients and keep paper records of their findings, as well as use stricter judgment on presumed "suspicious" transactions.

The impact of these new requirements spans beyond business operations and raises serious questions and considerations regarding the capability of companies and individuals to meet these new requirements.

Particularly, industries such as retail will have issues with employees following the guidelines set forth in writing between the retail store and their affiliate credit card companies, who often rely on their retailers to ascertain the proper information they need to stay compliant.

"Often retailers call me and say 'I pay my employees \$9 an hour, they aren't trained to do

this,' " Veilleux comments.

While FINTRAC does gain more capability to perform compliance audits with these laws put into place, Veilleux insists that the Centre will not become a certification board.

"FINTRAC is there to provide guidance, but they will not certify that someone's practices are compliant," Veilleux says. "There are guidelines, online presentations, lots of literature, but nobody will certify whether or not the regimes are compliant. The onus is on you to become compliant."

CMA's help clients comply with new amendments

Despite these stricter laws, Bob Parry, director of public accounting, CMA Canada, says "for most CMAs, it's business as usual."

"In most situations, the accountant is simply on the reporting end of things, and they definitely keep records — large cash transactions, copies of official corporate records, copies of suspicious transaction reports," he notes. "Accountants already comply with most of these rules, and they will make sure that their clients comply with their rules."

Parry is quick, however, to make the distinction between an accountant who is simply reporting finances and one who is serving in an advisory capacity to clients.

"Accountants are conditioned to inquire," Parry says. "That kind of behaviour is integrated throughout their accounting training. If a client is buying a building for \$10 million, and you know he or she doesn't have access to that kind of money ... you would normally inquire as to where it came from."

While many of the facets of the anti-money laundering law are black and white, some grey area does exist — especially when dealing with suspicious transactions.

"A lot of reporting entities have expressed concern about suspicious transaction reporting because there are penalties that can be imposed for failure to report," Veilleux says. "Given a lack of a clear definition, some professionals are concerned of exposure to administrative penalties."

Veilleux adds that, transactions should still be reported even if a client who was about to engage in a suspicious transaction pulls out at the last minute.

It is still advisable that CMAs visit the FINTRAC website (<http://www.fintrac-canafe.gc.ca/>) to make sure the processes they are currently following and have in place at their companies fit into the guidelines put forth by FINTRAC. As Parry suggests, many will find that they are already compliant and can continue with their daily activities, while others will need to tweak their practices to make sure they won't be susceptible to a compliance audit. n

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



Converting strategy to implementation

Using a common software tool to help companies get “there” from “here.”



By David Kelly, CMA

Corporate strategies help executives manage the growth of their business, but it is always a challenge to convert strategic ideas formed from an executive retreat into a detailed action plan. Management may ask, “What is the best way to get to where we want to be?”

To address this problem, a database (MS-Access) was used to create an organized planning process. The result was a powerful tool for converting a collection of strategic ideas into a detailed implementation plan.

This strategy implementation software would be useful not just for company executives, but for entrepreneurs, government decision makers, community leaders and others involved in planning. It could serve as a useful tool for personal planning as well. Since the software is based on MS-Access, it is readily customized to meet diverse needs.

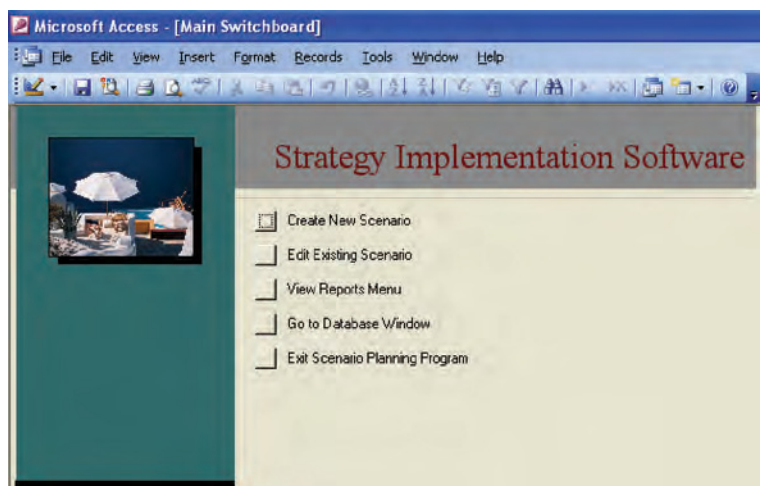
The software guides users through an effective drill-down technique that takes them from high-level (Level 1) ideas down to more detailed activities. Level 1 ideas are major strategic directions, such as, “launch product X” or “build catering services” that would normally take several

years. How these directions are translated into weekly details is part of the process built into the software.

In addition, planning often involves the exploration of possibilities. Management may well desire detailed plans for each situation under consideration, when they ask, “What if we did this...?”

The tool is capable of permitting unlimited scenarios in order to create different implementation schedules for various considered strategy directions (Figure 1).

Figure 1: The opening screen shows choices for creating or editing multiple scenarios





Level 1 — Scenario philosophy and description

Each scenario is given a unique name. The creator can include a philosophy or thinking behind the strategy. A separate description field permits the philosophy to be translated into Level 1 action-oriented ideas (Figure 2). The planner can then print the scenario report showing the philosophy and main descriptive points.

The software has been set up to consider levels of detail as follows:

Level 1 — Major strategic directions to accomplish the planner’s objectives.

Level 2 — Major activities to be accomplished in the next five-year or other long-term period.

Level 3 — Main activities to be accomplished each year within each long-term period.

Level 4 — Activities to be accomplished by month within each year.

Level 5 — Detailed work to be accomplished each week within each month.

As soon as a more detailed level is selected, the overall activities for the level above it are displayed, so the planner can always see how the detailed activities will lead to accomplishing the overall actions.

The software readily permits the project to be scheduled according to the planner’s timetable and priorities.

Level 2 — long-term period activities

Once the scenario description is completed, the planner may define the scenario in more detail by choosing “Enter Specifics of the Scenario.” The scenario description appears at the top (Figure 3). Below this, the planner would specify the theme and plan for each five-year period “chunk” of time. Again, short action verbs would normally be used for each point.

For instance, if the scenario description was to launch a catering business in south-western Ontario and beyond, the first steps might include research of the target markets

Figure 2: The initial scenario philosophy and description screen (Level 1). A report can be instantly generated from the “Preview Scenario Description Report” option.

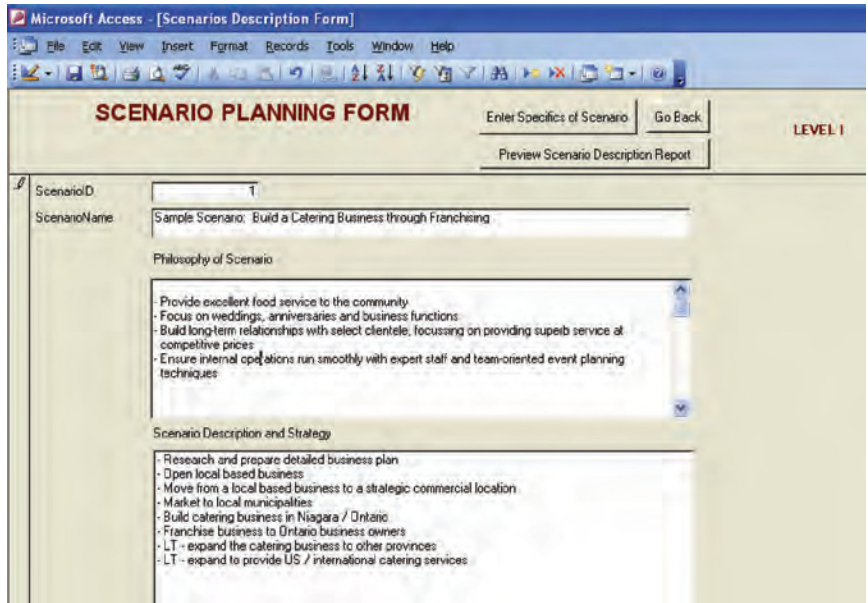


Figure 3: This Level 2 screen breaks overall strategy into long-term (LT) period “chunks.” In this example, only the first LT period is showing. Others would be for the five-years ending in 2015, 2020 and 2025 respectively.

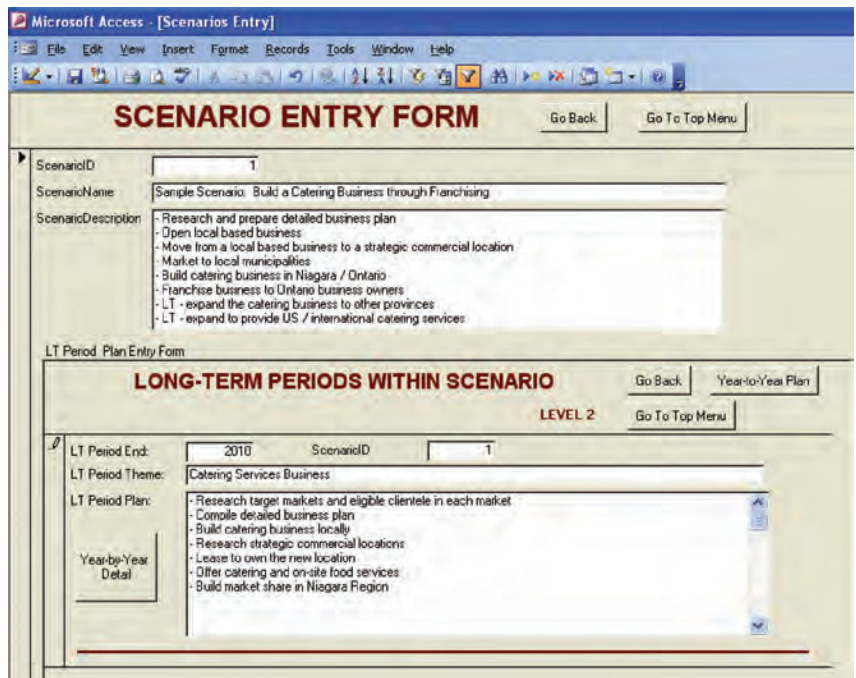




Figure 4: This Level 3 screen displays a LT period strategy on the left which is used to guide the year-by-year planning details.

YEAR TO YEAR PLANNING WITHIN L.T. PERIOD

LT Period End: 2010 ScenarioID: 1

LT Period Theme: Catering Services Business

LT Period Plan:

- Research target markets and eligible clientele in each market
- Complete detailed business plan
- Build catering business locally and online
- Research strategic commercial locations
- Lease to own the new location
- Offer catering and on-site food services
- Build market share in Niagara Region

Year Plan Entry

Year	Year Theme	Year Plan
2008	Develop web site and expand business to Niagara Region	<ul style="list-style-type: none"> - Research internet opportunities for expansion - Develop web site for catering business with web order capabilities - Determine resources needed to broaden services to all of Niagara Region - Hire staff to meet expansion requirements
2009	Expand to commercial location	<ul style="list-style-type: none"> - Determine criteria for new commercial location - Seek eligible locations and engage commercial real estate professional(s) as required - Evaluate candidate locations, survey local markets - Decide on best locations and place offer(s) - Move to new location and prepare it for grand opening - Grand opening ceremony and follow-up
2010	Build market share in Niagara Region	

Figure 5: This final form (Level 4 and 5) allows yearly activities to guide those of each month and each week.

Year Plan

Year: 2008

YearTheme: Develop web site and expand business to Niagara Region

YearPlan:

- Research internet opportunities for expansion
- Develop web site for catering business with web order capabilities
- Determine resources needed to broaden services to all of Niagara Region
- Hire staff to meet expansion requirements

Month Plan Entry

LEVEL 4 AND 5

Month: October

Year: 2008

MonthTheme: Web site launch

MonthPlan:

- Negotiate with media for coverage
- Test all aspects of the web site for accuracy
- Launch web site
- Evaluate success

1st Week Plan:

- Contact and negotiate with radio and print media for coverage of the web site launch

2nd Week Plan:

- Work with the internet service provider to test the operation and accuracy of the web site
- Ensure orders can be successfully processed

3rd Week Plan:

- Launch the web site, promoting its capabilities and strengths

4th Plus Week Plan:

- Compile visitation and order statistics and evaluate feedback

and potential customer base. Next, a pilot location might be surveyed and identified. Following this might be the launch of the service in the pilot market, testing and evaluations. Finally, a mass launch could be organized for the service. All these would be specified as Level 2 concepts that need to be completed in the first five-year period.

The second five-year period might be devoted to building the catering service beyond south-western Ontario. The procedures described above would be repeated for this next period and as the company moves forward into the future.

Level 3 — yearly activities

Using the software, the planner could choose to dig deeper into each five-year period. By selecting the first five-year period “Year-by-Year Detail,” the screen would change to show the themes of this five-year period at the left of the screen, while each year is displayed on the right (Figure 4). The planner would specify the theme for each year and define the actions in each year leading to the accomplishment of the five-year period’s objectives.

Level 4 and 5 — monthly/weekly activities

Within each year, the planner has a choice of opening the details for that year. The theme and plan for the year appear at the top. Below this, a sub-form shows each month and week (Figure 5). Planners can define the theme and plans for each month, and for each week within that month, all leading to the accomplishment of the plans for the year shown at the top.



Figure 6: The Scenario Description report.

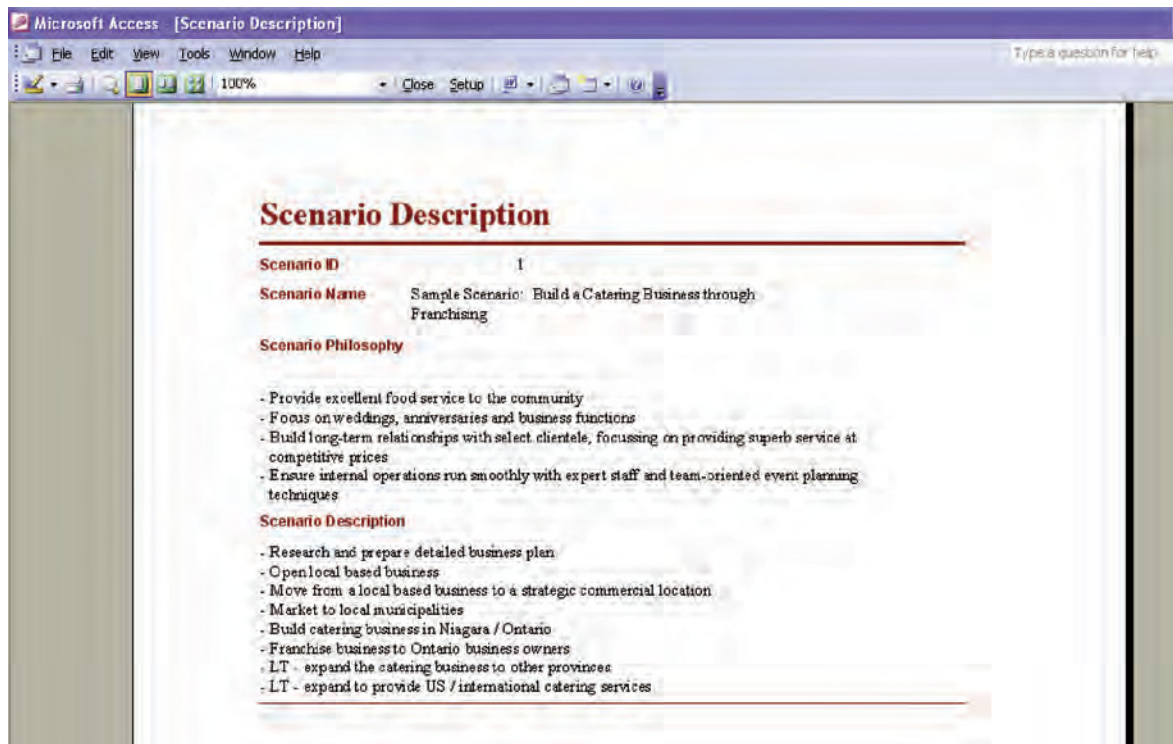


Figure 7: The Year-to-Year Plan Report, which can be generated for each L-T period

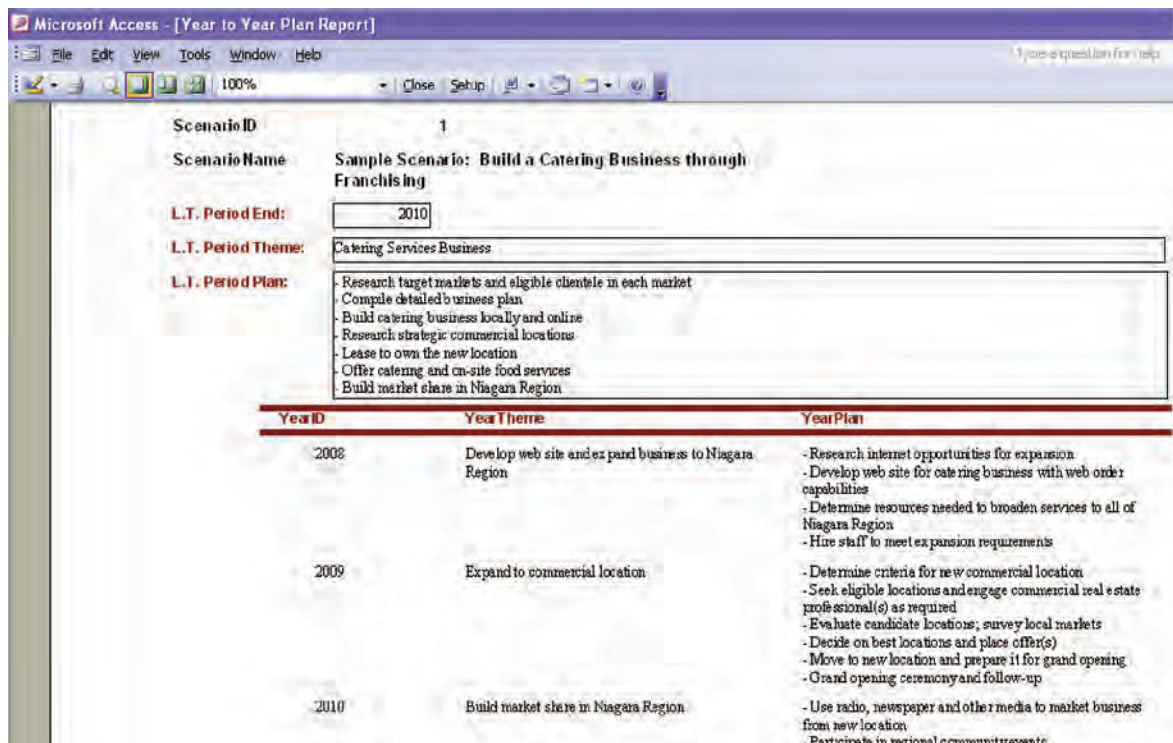
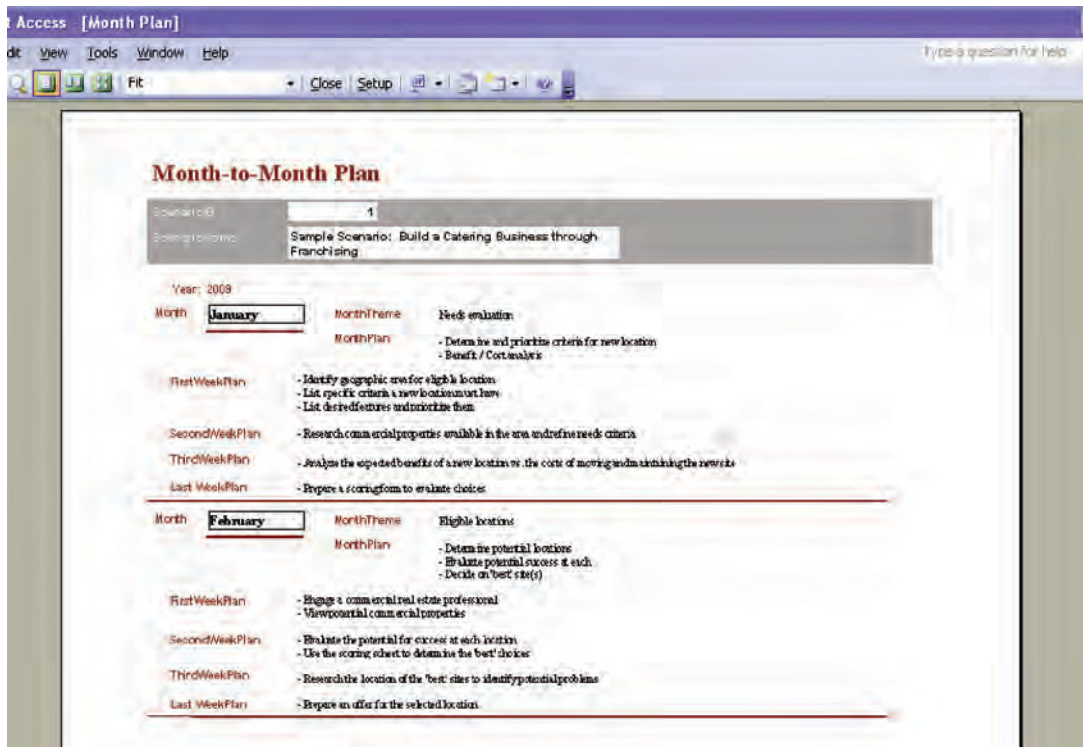




Figure 8: This Month-to-Month Plan report displays detailed weekly activities to reach overall strategic goals.



Reporting

All reports are automatically updated once the forms have been completed, and can be quickly generated from appropriate forms or from the opening menu. By compiling the following three reports, a planner would have a clear definition of the week-by-week activities required to accomplish an overall strategy:

- 1 The top-level scenario report (Figure 6) shows a formatted print-out of the scenario’s philosophy and description. It is the overall guide which defines the steps taken at the more detailed levels.
- 1 The yearly plan report (Figure 7) shows the year-by-year plan for any selected five-year period. The overall theme of the long-term period is shown at the top and the theme and plans for each year are printed below.
- 1 A detailed month-to-month plan report (Figure 8) for any specified year shows the plan by month and week leading up to the

accomplishment of the year’s plans.

Using these reports, the planner could confidently direct the activities of the company towards the accomplishment of their strategic objectives. Each scenario can be edited on an ongoing basis and the reports are automatically updated.

Since the platform is MS-Access, this software could be adapted for many purposes. Shorter or longer time frames could readily be incorporated. The scenario strategies could be used in many areas of endeavour, both corporate and personal. With little effort, additional reporting could be built on an ongoing basis.

This strategy implementation software should help planners to precisely define steps to reach a long-term goal and to develop a detailed schedule for its timely completion. n

David Kelly, MBA, CMA, (dkellycma@yahoo.ca), is owner of Niagara Plus in Grimsby, Ont. He has 18 years experience in accounting and business analysis work.



Bulking up the c-suite in government

A key recommendation is to place CFOs in government departments and agencies.

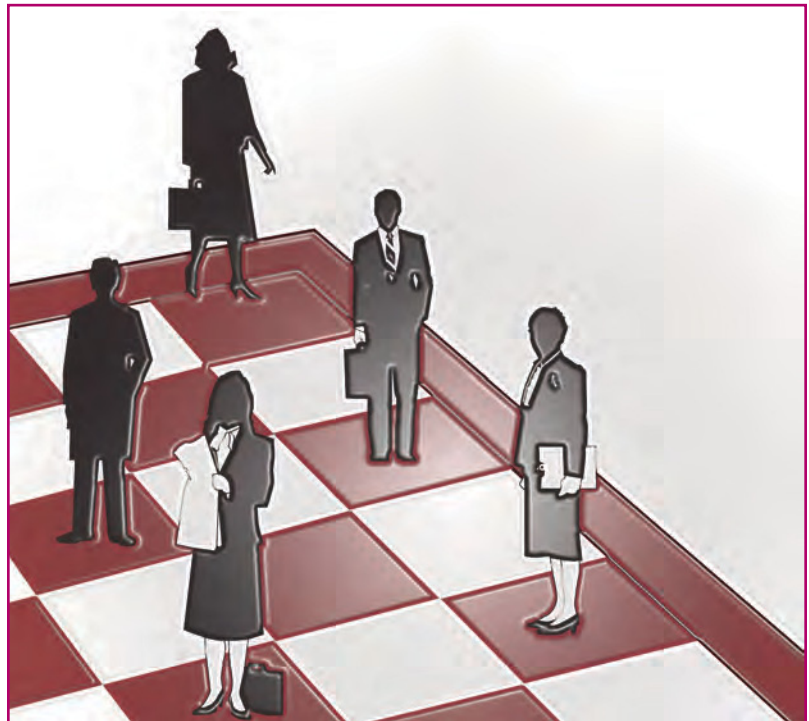
By Alan Young

In publicly traded companies, the chief financial officer (CFO) is one of the key decision makers and influencers of corporate strategy. Given the unique role of the Public Service of Canada in Canada's socio-economic affairs, however, its most senior ranks are typically occupied by the best and the brightest policy thinkers — those who demonstrate the ability to conceive and implement innovative solutions to the multitude of complex issues confronting government. Financial acumen often takes a back seat to creative policy-making.

Financial management challenges in the Government of Canada

This structural reality formed the backdrop for the senior committee's review of the Financial Management Framework of the Government of Canada, established in summer 2006. Chaired by the secretary of the Treasury Board, the senior committee's mandate was to review and make recommendations to strengthen and streamline Treasury Board financial management policies. In its March 2007 report to the president of the Treasury Board, the senior committee assessed, with refreshing frankness, the state of affairs within the government's financial management community:

“With annual expenditures in the order of more than \$220 billion, financial management in the federal public service is complex and risk intensive. In spite of this, and as commented on by the auditor general, in most departments and agencies the senior financial officer (SFO) is not an accredited financial specialist. Moreover, most



SFOs...are also responsible for a broad array of other administrative domains...and are therefore unable to devote enough time to financial management issues.”¹

In addition to the lack of financial expertise in sensitive management roles, the senior committee identified four main problems with the government's financial management framework: (a) unclear expectations and accountabilities; (b) inconsistent format and level of guidance; (c) fragmented reporting requirements; and (d) absence of monitoring, guidance and direction.

Creating the role of the CFO

A detailed and sound road map to rectifying these deficiencies is provided in the senior committee's report. Creating the position of the CFO within federal departments and agencies sits at the core of the senior committee's



recommendations. This initiative would follow similar steps taken in the United Kingdom, where deputy ministers must appoint senior-level chief financial officers with professional financial qualifications, and in the United States, which has passed the Chief Financial Officers Act requiring the president to name a qualified CFO for every department.

As envisioned by the senior committee, the comptroller general of Canada would assume responsibility for setting the knowledge and accreditation standards for CFOs. Further, the comptroller general would have the opportunity to participate on any selection committee choosing a departmental CFO. This kind of cross-government functional leadership

Placing qualified CFOs in government departments and agencies is only one of several key recommendations in the senior committee report.

responsibility is an important outcome of the government's decision to restore the position of comptroller general of Canada in 2003.

CFOs would report directly to the deputy head of their department or agency, making the CFO an integral part of the governmental C-suite. Moreover, CFOs' non-financial responsibilities, such as human resources or information technology management, would be limited. At the same time as he or she would be a key

member of a departmental management team, the CFO should also be free to act independently when an action considered by a deputy head would pose a significant financial risk or violate financial requirements in statutes, regulations or policies. To deal with such circumstances, the senior committee proposes a three-part dispute resolution process, culminating with the deputy head and the comptroller general jointly discussing the matter with the secretary of the Treasury Board.

Placing qualified CFOs in government departments and agencies

is only one of several key recommendations in the senior committee report. Also critically important are recommendations that departments and agencies produce annual audited financial statements, and that deputy heads sign an annual statement of internal control providing assurance that effective internal controls are in place and that financial information is fairly stated and fully disclosed.

While the response of the government to the senior committee's recommendations is not known, the Treasury Board's new Financial

We will figure **prominently** in your next financial reporting mandate.



Chartered Business Valuators are **experts at determining fair value for financial reporting**, whether it is purchase price allocation, goodwill impairment or another accounting requirement.

To learn more, visit www.cicbv.ca
Chartered Business Valuators
Experts worth knowing



THE CANADIAN INSTITUTE OF
CHARTERED BUSINESS VALUATORS



Management Framework Policy is expected to come into effect in April 2009. It is reasonable to anticipate that the new Policy will adhere closely to the recommendations of the senior committee.

As envisioned by the senior committee, the comptroller general of Canada would assume responsibility for setting the knowledge and accreditation standards for CFOs.

Several obstacles stand in the way of implementing a new financial management framework within an environment where “the general management community lacks a thorough understanding of financial management and internal audit and of how to work with these functions.”² Many of the most senior leaders in the federal government’s financial community are poised to retire over the next few years. Related to this serious concern is that the government must compete with the private sector to attract a pool of properly qualified individuals to fill key financial management roles. Recruitment of financial experts continues to be a challenge for government. Finally, implementing the new financial management framework will come with significant incremental costs, at a time when the federal government is facing major financial pressures.

Award of Excellence for Comptrollership in the Public Sector

In 2005, CMA Canada partnered with the UK-based Chartered Institute of Public Finance and Accountancy (CIPFA), to offer a dual CMA/CPFA designation to meet the unique needs of financial management in the public sector. More recently, CMA Canada and CIPFA have reunited to sponsor the *Award of Excellence for Comptrollership in the Public Sector*, as a follow up on the establishment of their dual designation program. The first of its kind in Canada, the award will recognize a public servant or team making a significant contribution to financial management and/or comptrollership within the Government of Canada. The first annual award recipient will be recognized in May 2009, following a

rigorous nomination and evaluation process. Details of the award can be found at www.comptrollershipaward.com.

When I was a child, my grandmother used to say, “Take care of your pennies today and the dollars will take care of themselves tomorrow.” At a time of global economic turmoil, domestic retrenchment, and heightened awareness of and criticism for accountability lapses, the Government of Canada is more determined than ever to take care of taxpayers’ pennies. Surely the dollars will follow. ■

Alan Young (young@tactix.ca) is co-president of Tactix Government Consulting Inc.

¹Report of the Senior Committee on the Review of the Financial Management Framework of the Government of Canada, March 21, 2007, pg. 24. The Report is available on the Treasury Board Secretariat’s website: www.tbs-sct.gc.ca/fin-gf/ktopics-dossiers/gapr-pcrg/framework-cadre/framework-cadre00-eng.asp.

²Report of the Senior Committee on the Review of the Financial Management Framework of the Government of Canada, March 21, 2007, pg. 24. The Report is available on the web site of the Treasury Board Secretariat: <http://www.tbs-sct.gc.ca/fin-gf/ktopics-dossiers/gapr-pcrg/framework-cadre/framework-cadre00-eng.asp>.

ADVERTISER INDEX

Athabasca University Recruitment www.mba.athabascau.ca/standout	25 866-502-6780
Athabasca University www.mba.athabascau.ca	IFC 800-561-4650
BCPSA www.employment.gov.bc.ca	13 888-944-3327
Canadian Institute of Chartered Business Valuers www.cicbv.ca	49 416-977-1117
Carleton University www.sprott.carleton.ca	35 613-520-2388
Createch www.thecreatechgroup.com	29 905-614-2750
David Alpin www.aplin.com	40 780-428-6663
Hays Specialist Recruitment Canada www.hays.ca	7 416-367-4297
Lannick Associates www.lannick.com	IBC 416-340-1500
PTC Accounting www.ptcaccounting.com	10 877-303-9550
RH Management Resources www.rhmr.com	9 888-400-7474
Rogers Wireless www.rogers.com/GOTit	OBC 866-641-7010

Marketplace



Intermediate to senior level positions
directly from employers

www.jobwings.com

FINANCE . ACCOUNTING . MANAGEMENT
1-888-JOBWINGS

JW Associates International Inc.



Janet Webb
President

CAREER DEVELOPMENT

- Business Coaching
- Career Consulting
- Termination Support
- Outplacement

EXECUTIVE SEARCH

- Senior Search Group
- Future Leaders Group
- Onboarding
- Retention Consulting

*Programs qualify for continuing professional development requirements
Over 20 years experience advancing the careers of Finance/Accounting professionals*

416-363-6532 info@jwassociates.ca www.jwassociates.ca
120 Adelaide St. W, Ste 2500 Toronto, ON



No. 1 Accounting, Tax & Payroll Franchise
The Small Business Specialists since 1966
400 offices strong

DO YOU WANT TO BRANCH OUT ON YOUR OWN?
Padgett offers a fresh yet proven alternative to the challenges of going it alone

As a Padgett franchise owner, you will have access to time-tested systems and marketing techniques as soon as you open your doors for business. You can count on superior one-on-one training, ongoing courses and seminars, a dedicated franchise support team and state-of-the-art systems.

We're helping to grow success stories, one entrepreneur at a time.
For more info call 1-888-723-4388 ext. 222, or visit www.smallbizpros.com

For smarter, smoother engagements.

Working Papers lets you work smarter and faster than ever before with its powerful document management, real-time collaboration, direct scanning, online review, efficient clean-up, sophisticated lockdown, and advanced roll-forward capabilities.



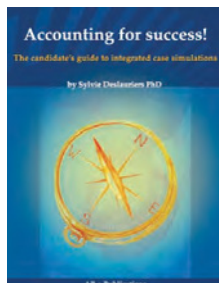
1.800.267.1317

WWW.CASEWARE.COM

Dr. Sylvie Deslauriers FCMA

- professor of accounting since 23 years
- specialist in teaching integrated cases

The volume *Accounting for Success!* is a unique reference to improve your case-resolving skills.



www.ABplusPublications.com



Celebrating 100 years of international achievement

Some birthdays are just bigger than others. One hundred years certainly counts as a major benchmark, and in Ottawa, none will be celebrated with more cross-country enthusiasm than that of the Department of Foreign Affairs and International Trade Canada (DFAIT), which turns 100 on June 1, 2009.

By John Cooper

The recognition began last June and continues with a series of conferences and events leading up to the official birthday — not bad for an organization that had its beginnings as a dowdy registry office above a downtown Ottawa barber shop.

Since 1909, the DFAIT has grown into a foreign and trade ministry that has distinguished itself with a series of international accomplishments. Two things in particular stand out: the department has been in a state of flux for a century, responding to the tugs and pushes of its various political masters, and it has arguably been a sparkplug in raising Canada's international profile, all the while juggling the question, "What's more important — diplomacy as a driver of foreign affairs, or international trade?"

Senator Hugh Segal, former chair of the Senate Foreign Affairs Committee, says "there is certainly a lot to celebrate" about DFAIT's achievements, such as the rapid growth of the country post-World War II and Canada's diplomacy during the 1956 Suez Crisis, when the nationalization of the Suez Canal Company by Egypt sparked international outrage, and then-foreign minister Lester B. Pearson worked to establish a peacekeeping force in the troubled country.

In all this time, "Canada has been punching well above its weight because of the work of our diplomats and our politicians," Segal says. "For a country our size and with a foreign ministry which is still pretty young, our achievements have been significant."



Gaining foreign recognition

One of the characteristics of the office has been its flexibility and the work of its diplomats in taking the reins from Britain, which handled the country's international role post-1867, and crafting a distinctly "Canadian" approach to international diplomacy.

Over the years, the foreign affairs office would become a force for



initiatives that would serve to establish and reinforce well-worn tenets of our Canadian identity: the quiet diplomacy of a socially-aware country spawned by colonialism but cognizant of the global influence of its southern neighbour, our role as a peacekeeper and as a mediator in international disputes, and our support for nuclear disarmament. In 1979, our foreign service received praise after External Affairs Minister Flora MacDonald and Canadian ambassador Ken Taylor provided a safe haven for six Americans after Iranian students took over the U.S. embassy.

Its beginnings were humble — the Department of External Affairs, tucked into small offices at Queen and Bank Streets in central Ottawa with an equally small staff of six people and a simpler mandate, was essentially a document clearance centre.

Though Canada looked after its own domestic affairs, there was little interest in deviating from British-driven foreign policy at the time, but after the department was moved under the aegis of Prime Minister Robert Borden and relocated to the Parliament Buildings in 1914, there was a call for a stronger Canadian voice in imperial councils, a role heightened after the outbreak of World War I. The department's first legal advisor, Loring Christie, pushed for representation through membership in the Imperial War Cabinet and participation at the 1919 Paris Peace Conference.

It was the beginning of a “pretty remarkable evolution,” says Irvin Studin, a lecturer at Osgoode Hall Law School and former member of the Privy Council Office. “One of the paradoxes of our country is that we don’t have any foreign affairs clause in our constitution. In our BNA Act, you’ll be hard pressed to find it. The paradox is that, Canada was never meant to express itself internationally.”

And yet, Canada did. By the early 1920s, Canada was active in the League of Nations and the department became a more autonomous international player, building a network of domestic and foreign offices staffed with strong generalists who had an efficient knowledge of diplomacy and foreign affairs.

The Great Depression would shift the emphasis to trade commissions, and the expansion of Canada’s international offices slowed, underscored by concerns over internal strife and its effect on our country’s own national unity. As World War II unfolded, the Canadian government moved quickly to set up missions in Allied nations as well as in the Soviet Union, China, New York and Latin America. If World War I served to define Canada as a nation, it could easily be said that World War II helped the department define itself as a core component of Canadian governance, with activities ranging from protecting Canadians in war zones and managing censorship and intelligence-gathering to the shaping of economic policy and overseeing trade in strategic goods.

After the war, a reorganized department worked to keep pace with the post-war economic boom, the rebuilding of Europe, the creation of the United Nations and the establishment of the North Atlantic Treaty Organization (NATO).

After the war, a reorganized department worked to keep pace with the post-war economic boom, the rebuilding of Europe, the creation of the United Nations and the establishment of the North Atlantic Treaty Organization (NATO). Canada sought out new opportunities to combine both trade agreements and diplomatic exchanges.

By 1956, there were 64 international missions, almost triple the number from the war years, with expenditures of \$60.3 million and a staff of 1,701.

Expansion was coupled with a stronger organizational structure and the addition of defence and security divisions, and a closer relationship with other government departments. By the late 1950s, the speed with which change took place internationally led Canada to begin opening up “regional offices” covering several countries. The 1960s would mark a new approach — public opinion became a significant component in the creation of foreign policy under the Liberal government and the Quiet Revolution (the question of Quebec’s relationship to the rest of Canada, as well as its international role) shifted the focus to domestic issues.

The then-External Affairs began a restructuring at the same time that Canada’s international representation continued to grow — between 1963 and 1968, diplomatic relations were established with 25 countries, especially in the Middle East, Southeast Asia and eastern Europe. By 1968, Canada had 93 international posts, with non-resident accreditation in an additional 41 countries.



During the era of Prime Minister Pierre Trudeau, the government redefined diplomacy's role in Canada's foreign affairs and came to see Canada's foreign interest as focusing on social justice, economic growth and quality of life. The government reigned in foreign affairs, making it an interdepartmental entity; by the end of the 1960s, trade became the watchword and trade commissioners played a more significant role. This led to the creation of the Canadian International Development Agency (CIDA), which managed the flow of international dollars from Canada.

“We want to be important and we want to be independent but [the question is] how do we gather our resources to do that — how do we pull ourselves from the American orbit and find our feet?”

This was a turning point, Segal says. “The structural fork in the road was the decision in the ‘60s and ‘70s to hive off foreign aid and put it into CIDA. CIDA has become a separate empire from foreign affairs and it has reduced the tools to achieve the foreign development goals. Other countries have those funds integrated into local embassies, and the high commissioner or ambassador ... are critical to the aid flows. Our guys are excluded from that and it reduces the clout of our ambassadors in the field.”

Strengthening relations

By the 1980s, the entity that underscored Canada's international presence became the Department of External Affairs and International Trade. Under Brian Mulroney, Canada reinforced its relations with the U.S. Our foreign

policy was bolstered by a strong and unwavering stance on the dismantling of the South African apartheid, the promotion of human rights in Central America and a stronger regional role in the Asia-Pacific region.

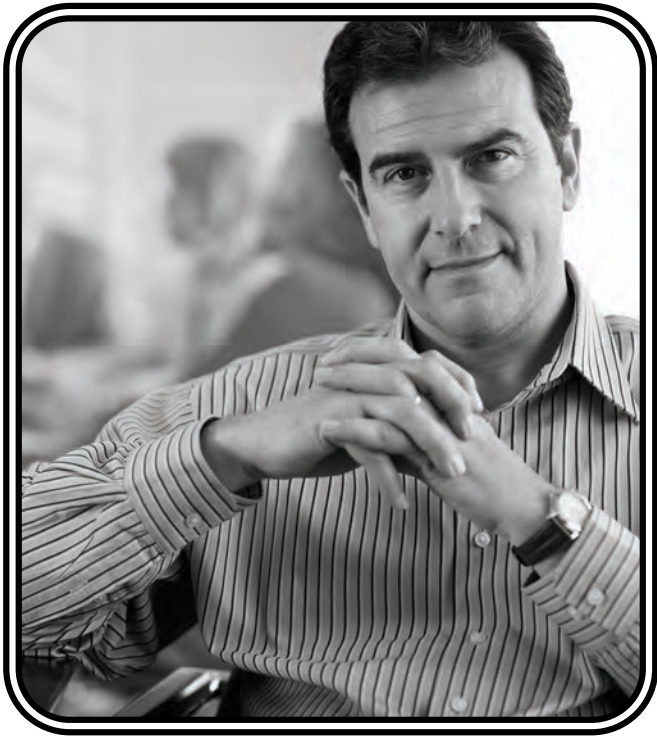
Economic and trade policy was integrated into the foreign policy approach, spurring a new look at issues like the 1989 Canada-U.S. Free Trade Agreement, followed by the North American Free Trade Agreement (NAFTA) in 1992; Canada became a key player in the transformation of the General Agreement on Tariffs and Trade into the World Trade Organization. The collapse of the Soviet Union in 1989 signaled a new global agenda, with an international focus on global terrorism, environmentalism and the failure of states.

In the 1990s, Jean Chrétien's government gave foreign and trade ministers a freer hand in governing their affairs, setting the stage for the now-common Team Canada trade missions. Information technology breathed new life into Canada's foreign trade work, allowing Canadian-based personnel to direct the work of locally-engaged staff in foreign missions. Following the events of Sept. 11, 2001, Canada revisited its international role once again and worked to reinforce its world presence, with 168 missions in 109 countries, including nine missions to multilateral organizations like the UN, and 13 regional offices Canada-wide. It now has just fewer than 10,000 employees and a mandate that includes international peace and security, trade and investment, international law and human rights.

“Now we're a bona fide foreign affairs power,” Studin says. “We want to be important and we want to be independent but [the question is] how do we gather our resources to do that — how do we pull ourselves from the American orbit and find our feet?”

Studin sees Canadian political leadership as being more aware of the need to boost our international presence. “In Canada we had this urge to pull ourselves away from the popular view that we are peacekeepers coming out of the Cold War. We're a little confused right now about what we should be doing (and) we'll probably never land on a consensual agreement. (Our) participation in the world is usually discretionary — Afghanistan is a good example. We can predict ‘four years (in Afghanistan) and we are out.’ But if you're a big strategic player like the U.S., Russia, or Great Britain, you recognize that you have an existentialist role, and I don't think that Canadian leaders have absorbed that kind of logic. Do we want blood and treasure or do we want to be symbolic players? I hope that in the next 100 years we will really come into our own. We lack that culture of strategy on the international stage. There's a difference between symbolism and actually wanting to lead.” ■

John Cooper is a Whitby, Ont.-based freelance writer.



**“I have to be flexible
in my business.
Why should I expect any
less from my recruiter?”**

Running a business can be challenging at the best of times. And when it's *not* the best of times, you have to work even harder. You have to work smarter, you have to work more efficiently, and you really have to keep an eye on the bottom line.

But you can't do it on your own. Your suppliers have to step up as well.

That's why we've been working with clients more closely than ever. We're looking at everything

we do, finding ways to be more effective and more efficient with our clients' dollars.

Because finally, getting the right people and the right fit is one of the few remaining competitive advantages available to business today. We know. We help companies get that advantage every day.

The good news is, the right people are out there. CMAs and CGAs and CAs who can make a real difference to your business. Now and going forward.

And even better news? We know where they are. We have dedicated recruiters and researchers whose sole responsibility is to know where they are, who they are, and the kind of contributions they can make.

If you're committed to giving your business every advantage you can, we should probably talk. Please feel free to give us a call at (416) 340-1500.

Lannick Group of Companies specializes in placing accounting and finance professionals, and includes Lannick Associates—executive search for the mid to senior-level; Lannick Contract—for mid to senior-level project and interim positions; and Pro Count Financial Staffing—for permanent and temporary roles at the junior to intermediate level.



LANNICK
GROUP of COMPANIES

**WHEN YOU DEAL WITH OTHER PEOPLE'S MONEY
YOU BETTER KNOW HOW IT'S DOING RIGHT NOW.**



GET MOBILE HI-SPEED INTERNET WHEN YOU NEED IT.

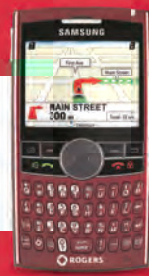
Stay on top of the markets, or anything else, with a Rogers smartphone or Rocket Mobile Internet Stick on the Rogers 3G Network. Now you can browse, source and download at speeds twice those of any other carrier.* So, whatever you need to source when you're on the go, now you've got it. Faster.



Rocket™ Mobile Internet Stick



BlackBerry®
Bold™



Samsung
JACK

Visit rogers.com/GOTit
or call 1.866.641.7010

CANADA'S FASTEST MOBILE NETWORK†
2X FASTER THAN ANY OTHER



*Comparison based on peak download speed of up to 7.2 Mbps for HSPA network as compared to peak download speed of up to 3.1 Mbps for 1xEvdo networks. Actual speed may vary. †Fastest wireless network measuring download speeds within HSPA coverage. *On a 3-year term upon \$35.00 Voice and Data activation.
™Trademarks of Rogers Communications Inc, used under license. All other brands, names and logos are trademarks of their respective owners; all rights reserved. © 2008 Rogers Wireless.