

# CMIA magazine

THE FUTURE OF MANAGEMENT ACCOUNTING  
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PREMIERE ISSUE

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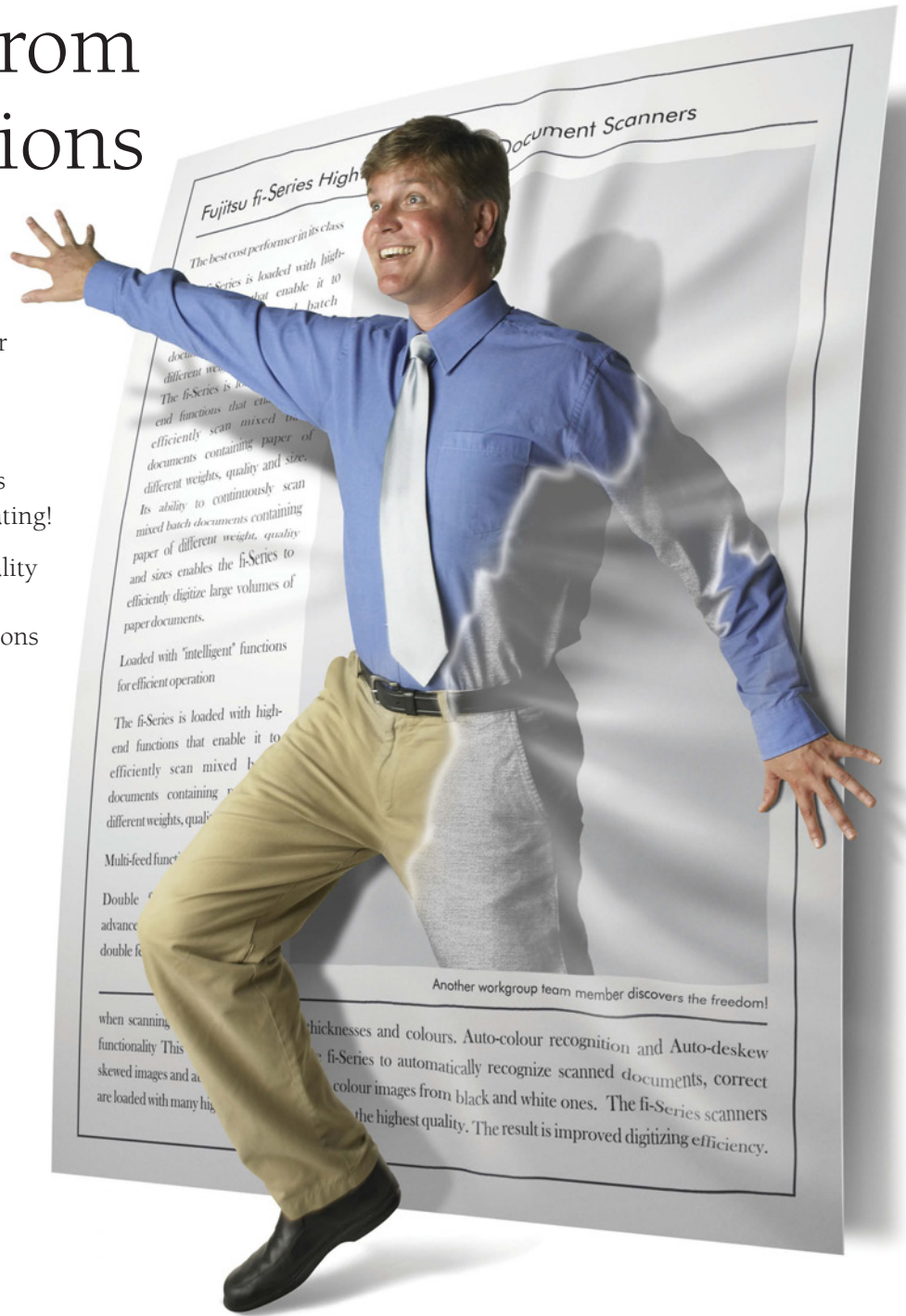
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# CMA<sup>®</sup> magazine



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## It is my pleasure to introduce the premiere issue of CMA magazine.

In 2010, CMA Canada completed a strategic mapping exercise and established our key objective of becoming the voice of management accounting. *CMA magazine*, among other initiatives, is representative of this objective. Not only does it have a new look and feel, the editorial has been refreshed and we've added more departments to round out the new *CMA magazine* with sections on Research ("Ethics and the accountant"), Human Capital ("De-risking your benefits program"), Legal ("Fresh start with new NFP legislation") and Strategy ("Business writing"). In another new section called Conversation, *CMA magazine* interviewed Don Tapscott, media guru and author of *Macrowikinomics* for his views on how CMAs may best prepare for a future led by the "net generation" — something that we can all learn from.

Research continues to be critical for our organization and for the magazine. One of our features, "Risk management's bullish future," is partially based on the findings of CMA Canada's Research Foundation's recent report, "2020 Vision: Forecasting the Future Role of the Management Accountant." Business writer Eric Krell reports that "Risk is dragging CMAs away from the financial world and allowing us to describe risk and mitigating factors in non-financial terms," according to one consultant interviewed in the article.

There were a number of people involved in re-launching this magazine, bringing together marketing, communications and finance to deliver a new and enhanced publication. Award-winning design firm Hambly & Woolley Inc., helped us refresh our magazine from front to back. And our editorial team has worked tirelessly to arrive at our premiere issue; the first of six issues, instead of nine as previously published under the old format. Have we done a good job at renewing ourselves? Let us know. Your letters and feedback are always welcome.

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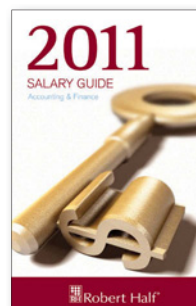
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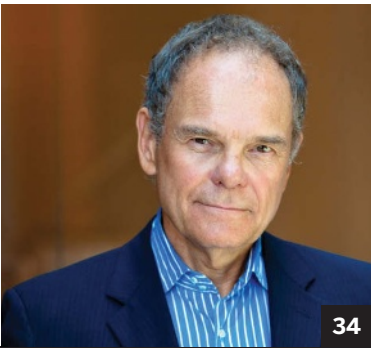


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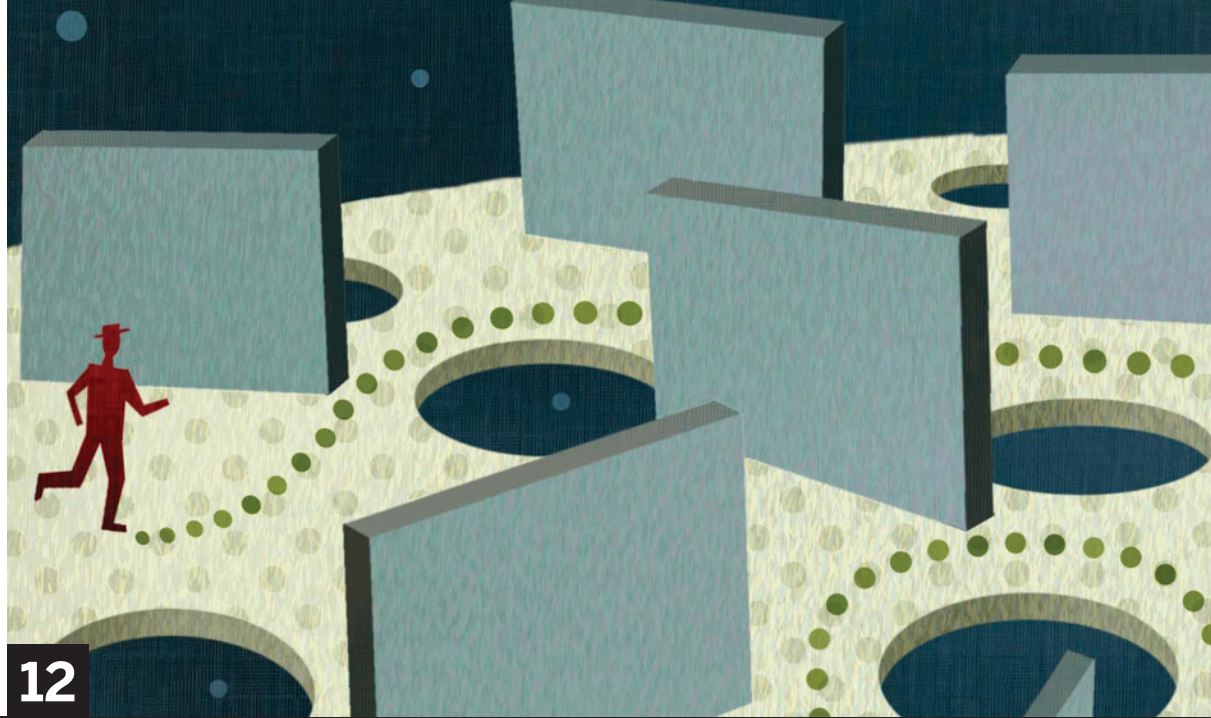
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# New and noteworthy

By **Andrea Civichino**

## WORLD CONGRESS:

### 6,000 accountants meet

Delegates from 134 countries came together to discuss and debate ideas and solutions to the issues affecting the accounting profession at the 18th World Congress of Accountants in November.

Hosted by the Malaysian Institute of Accountants and the International Federation of Accountants (IFAC) in Kuala Lumpur, professional accountants looked at the profession's role in the context of the global economy. They focused on issues such as: integrated reporting and sustainability, trends in the roles and responsibilities of professional accountants, extensible business reporting language (XBRL) and the communication of business information; governance and international standards. As well, they discussed the role of and challenges for small- and medium-sized practices; IFRS and the convergence of accounting standards; and last but not least, Islamic finance. The conference closed with a session titled, *Accountants in the next decade — Embracing change and seizing opportunities*. The panellists discussed the recent global economy crisis and how it changed the environment for accountants; the impact globalization will have on the profession; the required skills and competencies of accountants in the future; and finally, whether the profession will continue to be an attractive option for young people.

Ian Ball, chief executive officer of IFAC, says globalization and the recent financial crisis have placed the profession in the spotlight. He adds that, professional accountants play a key role in financial reporting and providing assurance, which is important in this challenging time. The World Congress will next meet in Rome in 2014.

## NFP ORGANIZATIONS:

### New financial reporting framework

Canadian private not-for-profit organizations will have a new financial reporting framework effective Jan. 1, 2012. These mandatory standards are available in Part III of the *CICA Handbook — Accounting*. Early adoption is permitted. Given the diversity of the private sector, not-for-profit organizations will also have the option of choosing International Financial Reporting Standards (IFRS) for a January 1, 2012, changeover.

Until transitioning to a new financial reporting framework, not-for-profit organizations should continue to follow the existing accounting standards in the *CICA Handbook — Accounting* (now called *Part V*). The new reporting options were created to recognize the diverse nature of the organizations and will provide decision-useful financial statements for the users, who include members, boards, contributors, lenders, clients and the public. For more information visit: [www.acsbcanda.org](http://www.acsbcanda.org).

## Quebec CMA Order to issue permits:

In May 2010, the Conseil des Ministres approved regulations that now allow the Quebec CMA Order to issue public accountancy permits to members who meet all the regulatory requirements.

Interested CMAs, like CAs and CGAs, can obtain public accountancy permits once they have met all of the standard requirements imposed on all three of accounting orders, which are directly associated with the competencies required to practice public accounting.

According to the *Regulation respecting the public accountancy permit*, CMAs who wish to engage in public accountancy must have both a CMA permit and a public accountancy permit. To obtain the latter, they must satisfy the following requirements:

**[1]** Successfully complete the post-certification public accountancy program of the Order (12-credit graduate level training program in financial accounting, taxation and assurance involving a prerequisite of at least nine credits at the undergraduate level in financial accounting, taxation and assurance) or a program that satisfies the criteria provided in the *Regulation respecting the public accountancy permit* and recognized by the committee set up by the board of directors;





**[2]** Meet the requirements of the training period (duration of 24 months consisting of not less than 2,500 hours of professional services rendered to the public, including at least 100 hours of taxation and 1,250 hours of professional services in public accountancy, of which 625 hours in the audit of financial statements and 625 hours in the review of financial statements) in public accountancy or of a training period that satisfies the criteria provided in the *Regulation respecting the public accountancy permit* and recognized by the committee set up by the board of directors;

**[3]** Pass the public accountancy examination of the Order or an examination that satisfies the *Regulation respecting the public accountancy permit* and recognized by the committee set up by the board of directors.

The Order takes the relevant experience of all members who submit an application for equivalence into account, and each application is considered individually by the public accountancy committee.

CMA Ontario is in the closing stages of its application with the Public Accountants Council to become an authorized designated body (ADB). Once approved, CMA Ontario will be able to initiate its Public Accounting Program. The CMA Public Accounting Program will create a new and exciting public accounting option for CMAs in Ontario, while protecting the public interest and contributing to a stronger Ontario economy.



#### CORPORATE BOARDS:

### Under the looking glass

The current economic context has resulted in a greater focus on corporate governance and board effectiveness. In particular, the recent financial crisis created the perception that boards and management of some of the largest financial and industrial firms failed to understand and exercise proper oversight over their operations. Considerable attention has been devoted to executive compensation and financial incentives that may have led to poor risk management and conflicts of interests between management and shareholders. The perceived environmental impact of corporate activities has been graphically portrayed in the media. These high profile examples have resulted in greater focus on the effectiveness of board oversight of all public companies.

According to Alfred Page, national leader of securities and capital markets practice group, Borden Ladner Gervais LLP and David Surat, counsel, Borden Ladner Gervais LLP, Toronto, shareholder activism, the evolving regulatory landscape, new tax rules on stock options, raising capital in Canada, and adapting to securities law will be top mind for C-level executives and corporate boards in 2011.

Page and Surat say that boards, which must remain on the best interests of the company, should anticipate greater scrutiny. They need to consider all relevant factors and interests of potential stakeholders in an objective, fair and balanced manner; deal with any potential conflicts; exercise proper oversight and supervision of management; and maintain a complete record of deliberations and decisions regarding the foregoing.

The issues faced by boards are continually evolving.

“We expect that overall many of the same concerns that boards dealt with in 2010 will continue to be discussed next year. For example, class actions and overtime pay have not gone away as key issues demanding significant board attention,” Page says. In addition to items on Borden Ladner Gervais LLP’s “hot lists” for 2010 and 2011, boards of public companies will have to address the implementation of the change over to IFRS, and increase transparency and visibility of corporate records and communications, whether intentional, imposed by regulation, enforced by courts, leaked or hacked.

Surat adds that boards can adapt and prepare for the coming changes by articulating a consistent narrative about plans for growth, and why they will be effective; anticipate activist, shareholder and stakeholder reactions; identify and implement sound environmental and management compensation policies and procedures, and test previous assumptions about the impact of existing policies and procedures and proactively engage with activists, shareholders and stakeholders.

# Trends, facts and figures By Andrea Civichino

## Accounting in the cloud

The mobile cloud has been listed as an emerging technology to watch out for in 2011 and beyond, in a list offered by PwC's technology, information, communications and entertainment and media (TICE) group. Accessing software, systems and applications in "the cloud" began with software as a service (SaaS) and is quickly accelerating as confidence grows. Companies are using time- and security-critical solutions outside of their firewalls. Mobile computing is an important new impetus for use of "the cloud" and versatile mobile devices are becoming pervasive "thin clients" ideal for accessing cloud solutions, anytime, anywhere. Although mobile and cloud computing have been enthusiastically adopted by the public, many CIOs are hesitant to encourage the use by their own staff because of security and privacy concerns. Moving forward, IT departments will need to manage the security aspects of mobile and cloud computing by implementing encryption techniques and identifying and accessing management controls.



## The benefits of tweeting

A recent survey suggests CFOs are concerned that employees are wasting time during business hours using social media tools such as Facebook and Twitter. CFOs also worry their staff may behave unprofessionally or post inappropriate information online. However, as social media makes its way into the workplace, executives are weighing in on the potential benefits.

In the survey developed by Accountemps and conducted by an independent research firm, more than 270 CFOs were asked, "What is the greatest benefit to your company of employees using social media?" Expand networks of valuable contacts (24 per cent) and enhance company's reputation (22 per cent) were the top two advantages of social media, followed by provide better customer service (18 per cent) and secure new business (five per cent).

Kathryn Bolt, the Canadian division president of Accountemps, says employers are concerned with the added distraction social media tools may bring to employees' daily duties, which at the end of the day may affect productivity and job efficiency.

## Financial bloggers get busy

To blog or not to blog, that is the question. The online world has experienced a hike in blogging since it gained popularity in 2004.

A typical blog combines text, images, and links to other blogs, and encourages readers to leave comments in an interactive format. Why should you blog?

- Do you have something to say about your role as a management accountant? Blogs provide an opportunity to express your thoughts and opinions.
- Are you a consultant? Self-employed? Blogging is an excellent way to market and promote your services.
- Sometimes it's better to give than receive. Use your blog to help your peers who may be experiencing similar situations.
- Connect with the industry. Stay abreast of the current trends and topics.
- Additional revenue. If your blog generates enough interest, look for potential advertisers to post an ad or link on your blog site.
- It's a creative outlet. Break away from the typical work grind and focus on another skill set.

Not sure where to start? Visit: [www.goldenmarketing.typepad.com/weblog/accountingbloglist.html](http://www.goldenmarketing.typepad.com/weblog/accountingbloglist.html) for a list of global financial bloggers. Warning: You may be inspired to start your own.

## Top financial searches on Yahoo! in 2010

Unemployment  
Wall Street companies  
Recalls  
Foreclosures  
Health care bill  
Tea Party movement  
Elizabeth Warren  
New credit card laws  
Dow Jones flash crash  
Austerity strikes

## Anti-social media?

With over 15 years of competitive intelligence and strategy consulting experience, Richard Telofski, uncovers a new business competitor — an advance in Internet technology that has morphed into a silent corporate killer — social media.

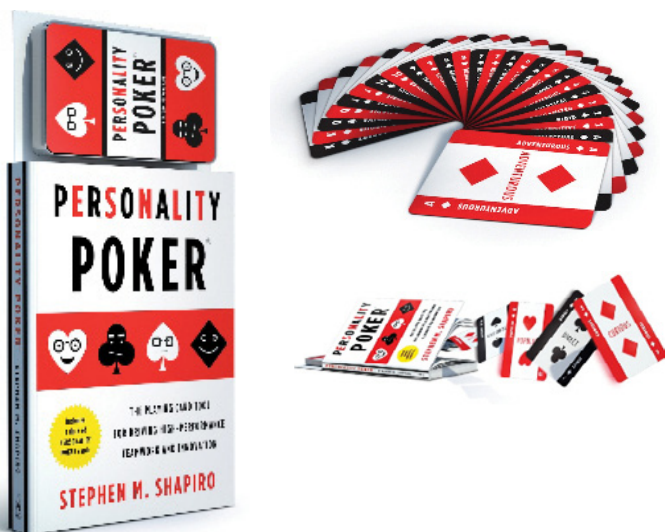
In his book *Insidious Competition: The Battle for Meaning and the Corporate Image* (The Kahuna Content Company, Inc., 2010), Telofski argues that, although social media can be used to promote products and services, if it has that kind of power, then alternatively social media can be used to demote or damage the image of a company's products and services and even its corporate image. "The new prevalence of social media in the business world has generated a problem never seen before," he writes.

*Insidious Competition* categorizes the most threatening groups, explains how to recognize them and their impact on corporate images, and offers strategies to fight back. He explores how social media elements can "diddle the definition" and "mangle the meaning" of a company's image; types of insidious competitors such as customers, clients, employees; ways to fire back; and how insidious competition affects companies, employees and society.

## Playing to suit your personality

Looking for a unique way to spur innovation, optimize growth and create high performing teams? Gather around the boardroom table and select a dealer. It's time for a game of *Personality Poker* (Penguin Group, 2010). Don't have a deck of cards? Don't worry. Author and creator Stephen Shapiro created a specially-designed deck of cards for the purpose of this game, and it's included with his book. Each card is printed with a different character trait. Since the game is designed to mimic a poker game, players are dealt five random cards and swap and trade cards until they get a hand with the words that best describe their personality style.

Each suit represents one of four personality styles: spades, those who prefer facts and principles; diamonds, those who prefer ideas and experiences; clubs, those who prefer plans and actions; and hearts for those who prefer people and relationships. The colour of the card reflects a player's thinking style — rational/analytical or relational/creative? The number on the card indicates a player's energy style — where and how they draw energy; are they introverted or extroverted. The book provides in-depth discussion and analysis of the various personality styles revealed through the cards. Not ready to play with your colleagues? Give the interactive online version a try at: <http://game.personalitypokerbook.com/poker.php>.



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# Risk management's bullish future

Leaders in business forecast the role of the management accountant in 2020

By **Eric Krell**



What will the management accountant role look like in 2020? The answer, like the question, involves complexity. Risk management also features prominently in the answer.

Forecasting the evolution of the management accounting role during the next decade marks a complex endeavour; it involves identifying the primary external forces exerting change upon companies, the organizational challenges these forces will create, and what these challenges mean for management accountants. The need to manage complexity also represents a 2020 management accountant priority.

Ten years from now, management accountants will provide the greatest value to their organizations by looking ahead in an increasingly complex business environment with as much rigour, precision and preparation as many in the profession traditionally have demonstrated when tracking their organizations' past performance. This forward-focused clarity will require management accountants to apply their sophisticated risk management skills, with an emphasis on scenario planning, throughout the enterprise.

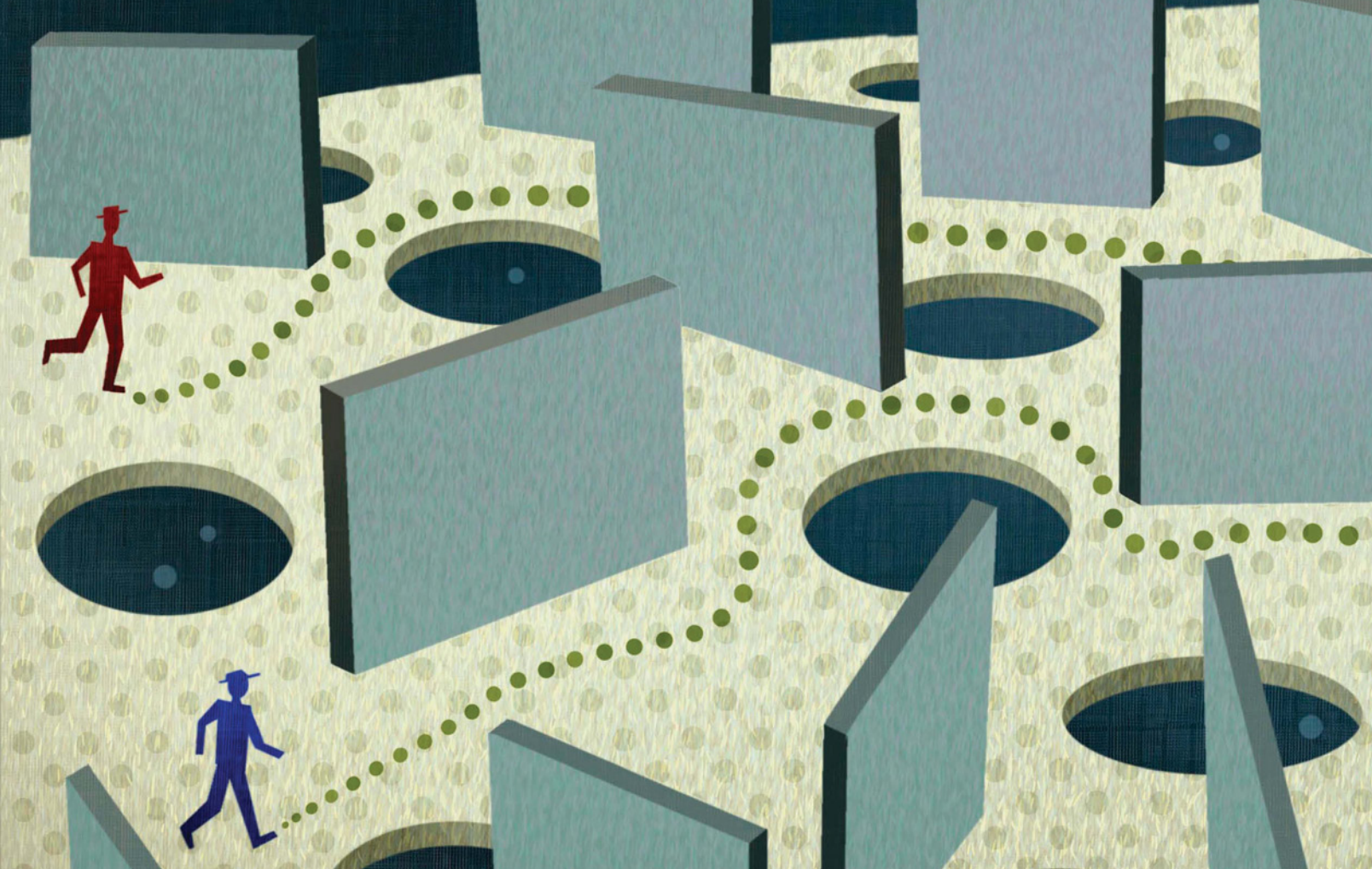


Illustration: Leo Acadia, theiSpot.com

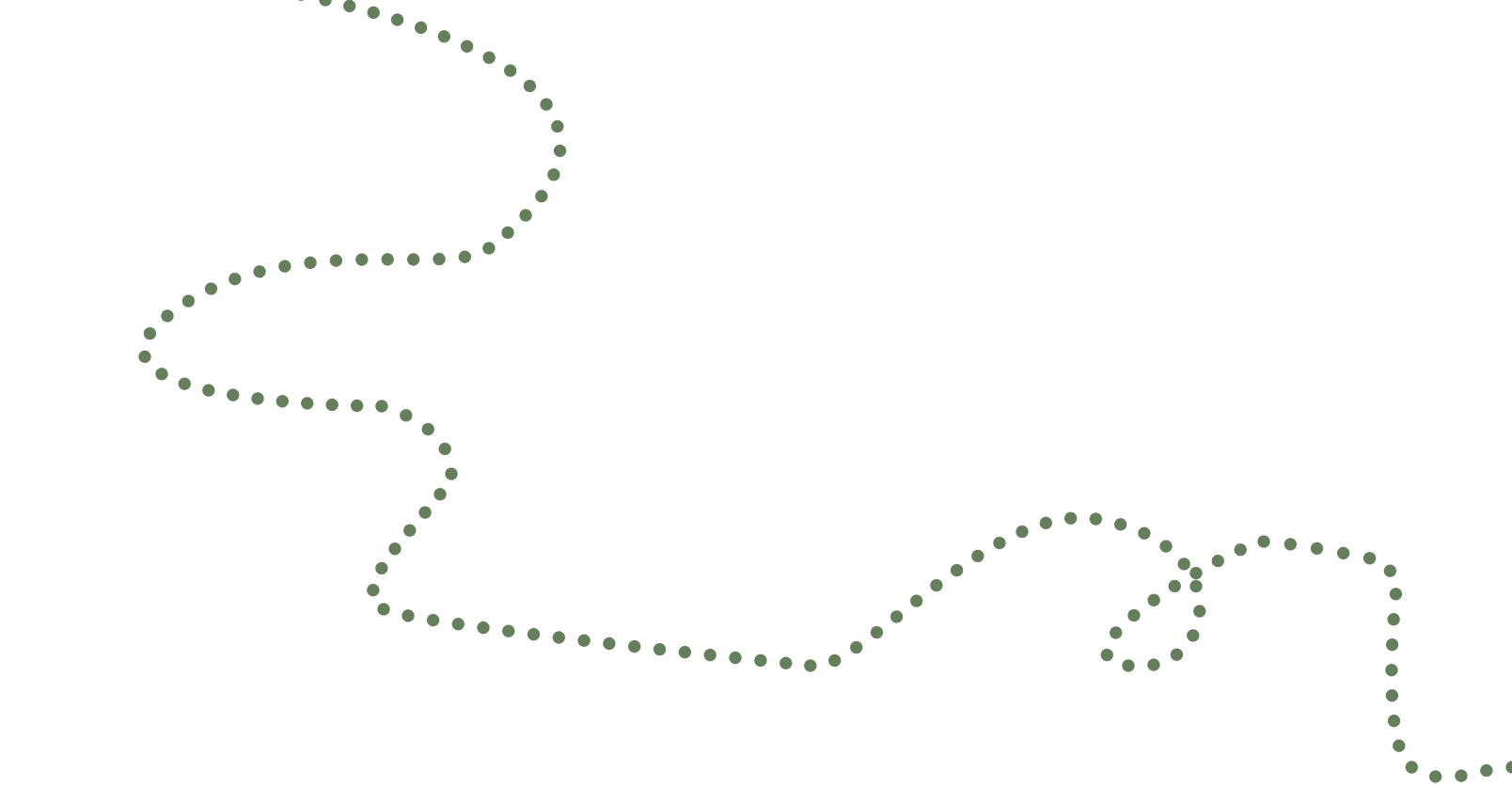
“As our world becomes increasingly complex,” notes Anne-Marie Gammon, CMA, FCMA, chair, CMA Canada Research Foundation, “there is an opportunity for the management accountant to step up and focus on the really important issues: how businesses are run and the key performance indicators that businesses need to monitor and manage to thrive.”

Those indicators also should cover the risks that determine the quality of future performance, including potential future threats and opportunities that organizations and industries have yet to fully understand.

“Identifying risks and then trying to be better than the average company at mitigating risks are where the returns are going to be [in 2020],” says Derrek Wong, CMA, senior vice-president and CFO of One Earth Farms Corp., in Calgary. “And that’s what will determine if companies are going to be successful. What keeps me up at night as a CFO is trying to understand what my risks really are.”

The vast majority of institutions whose value tumbled during the global financial crisis of 2008-2009 failed to identify, let alone understand, risks that inflicted tremendous financial damage. Iceland’s government, for example, did not understand that lax mortgage underwriting standards in U.S. real estate markets combined and questionable practices by credit rating agencies would nudge the country toward insolvency.

Within companies, management accountants are assuming responsibility for ensuring that the organization is prepared to mitigate future threats and fully exploit future opportunities. In large part, this is because the profession has played a central role in the enterprise risk management and performance management initiatives that have proliferated in the past five years. “Risk is dragging CMAs away from the financial world,” notes Brett Knowles, founder of pm<sup>2</sup> - Performance Measurement &



Management, an Ontario-based consulting firm. “Risk is allowing us to describe risk and mitigating factors in non-financial terms.”

In the past, management accountants typically have translated most business challenges and issues into quantifiable terms, namely currency. That’s beginning to change, says Knowles, thanks to new risk and performance management challenges companies confront. The need to plan strategies for dealing with future risks and their impact on performance has given “permission to CMAs to spearhead efforts that are non-financial,” Knowles continues. “With risk management, we are being asked to go forth and provide non-financial guidance. I think it’s an interesting opportunity to help us leverage ourselves more into other areas.”

Scenario planning figures prominently among those areas, based on current management accountant priorities and the future challenges organizations are likely to confront given the external forces that should exert pressure on companies during the coming decade.

#### VARIATIONS ON VOLATILITY

Volatility, in several different forms, and technological change represent two of the most influential forces that will enact on organizations and, by extension, management accountants during the next 10 years.

A recent “Financial Time Line since 1998,” published by risk consulting firm Protiviti, identifies 19 major global financial events that have resulted major declines in equity markets since 2000. The lesson learned from a decade pockmarked with financial upheaval, according to the report, also characterizes the business environment as a whole: “Extreme events happen more frequently with increasing magnitude.”

In terms of environmental volatility, more than half of global organizations report that they are actively addressing

issues related to growing competition for natural resources, according to a 2010 McKinsey & Company report. Environmental disruptions also pose opportunities. For example, global warming is making Arctic shipping routes more attractive, which in turn creates new supply chain-related opportunities for many North American companies.

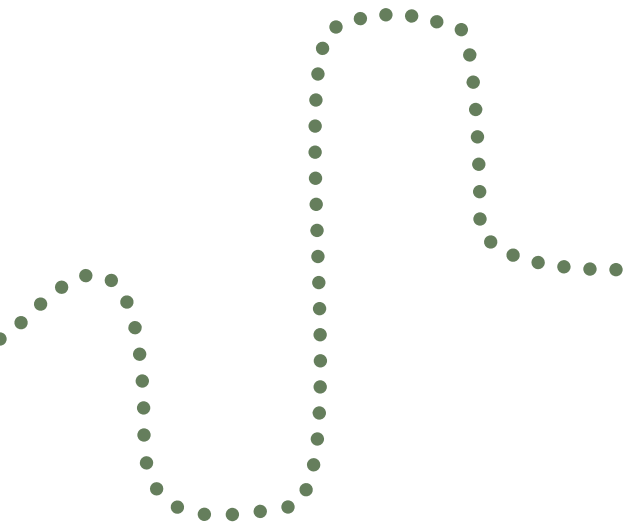
Supply chain disruptions may also increase given the surge in wars and related conflicts in the 21st century. Of the 37 ongoing global wars (including insurgencies, civil wars and civil unrest) currently in progress, more than 25 per cent of these conflicts began within the past 10 years.

Anarchic countries such as Somalia; drug-war-plagued nations; border disputes between nuclear nations (e.g., Pakistan and India); and unrest in Indonesia, Thailand and Turkey, among other areas of geopolitical strife, comprise what Harvard University history professor Niall Ferguson describes as a new “Axis of Upheaval.”

#### RISK DEMANDS ON THE RISE

The drivers of change described above challenge a company’s ability to attract and retain shareholders, customers, employees and other stakeholders by delivering reasonable profits, excellent products and/or services, a highly engaged workforce, and active and thoughtful outreach with its communities. To achieve this form of organizational sustainability in 2020 and beyond, companies will have to address many challenges, including the following risk-management-related needs:

**The need to redefine risk management** from a tool that mitigates problems to a comprehensive approach – one that contains business continuity management (BCM); pandemic planning; environmental, social and governance (ESG) programs; and regulatory compliance programs – and a pervasive organizational mindset designed to assess,



*You can't just be an accountant who produces financial statements. You need to think strategically and see the bigger picture. We've been saying that for decades.*



#### **A Look Back**

### **Back to the future?**

Ten years ago, *CMA magazine* (formerly *CMA Management*) published the article, "New competencies for tomorrow's global leader" as a treatise for identifying leadership skills for CMAs for the new millennium. Back then, the article, based on a book entitled *Leading beyond the Walls* (Jossey-Bass Inc., 1999) listed the following competencies:

**Thinking globally.** Leaders will have to see themselves as citizens of the world. Two factors that are making global thinking a key variable for the future are the dramatic projected increase in global trade and integrated global technology such as e-commerce.

**Appreciating cultural diversity.** Leaders will need to appreciate cultural diversity, industry style, individual behaviors, values, race and sex. Developing an understanding of other cultures is not just a good business practice, but key to being able to compete successfully in the future.

**Demonstrating technological savvy.** Organizations that have technologically savvy leaders will have a competitive advantage over organizations that do not. They will need to understand how the use of technology can help their business. Also, without technological savvy, the future of integrated global partnerships and networks will be impossible. In June 2003, CMA Canada produced a paper entitled *The Future World of Work* that looked at the skills CMAs will need in order to remain ahead of the change curve in the workplace. The paper suggested that market expectations of the accounting profession will demand that professional accountants have a strong strategic management orientation; are capable of participating on multi-disciplined teams; have expertise in strategic performance management; and have expertise in value-added assurance services.

**Andrea Civichino**

## Preparing for the future

The assumption of more strategic risk management responsibilities is not the only way the management accountant role is evolving. Growing technological complexity and demographic shifts will also pose major business challenges.

For example, 85 per cent of unstructured business information with companies remains unmanaged without any formal policies in place to govern its use, according to CIO Insight magazine.

Concerning demographics, there are currently five working-aged adults for every person over the age of 65 in Canada; by 2040 this “providing ratio” is projected to decline by 50 per cent, according to Canadian Business. Declining providing ratios, which are also occurring in many other developed countries, increase national health care and pension costs and lower tax revenues.

Given these pressures and resulting business challenges, what sorts of activities, projects and responsibilities should forward-looking management accountants take on right now to sharpen their skill sets for the future?

The following activities mark a useful starting point:

ACTIVITY	DESCRIPTION
Scenario Planning	Identify a range of possible future marketplace conditions, key indicators that alert managers when these conditions are coming to fruition, and business plans that mitigate the threats and/or maximize the opportunities each scenario poses.
Combined Reporting	Integrate environmental, social and governance (ESG) reporting with financial reporting to help identify the relationship between ESG performance measures and financial performance.
Rolling Forecast Implementation	Replace or supplement traditional annual budgeting processes with more frequent (e.g., four times annual), less intrusive and more accurate performance projections.
Human Capital Investment Analyses	Identify the value of training, wellness, leadership development, employee engagement, etc., in financial terms.

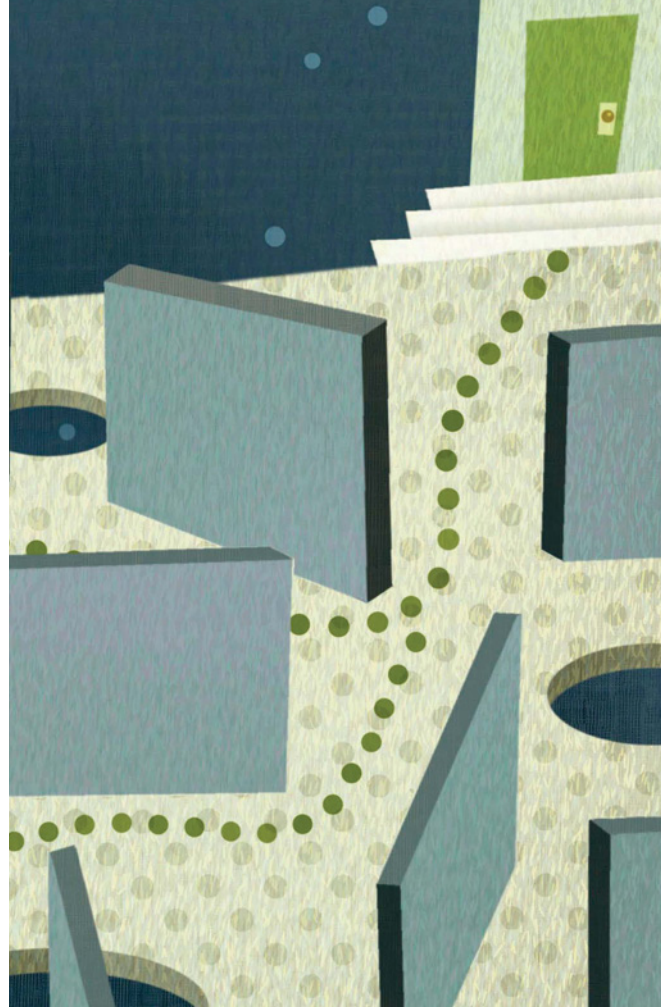
*Given the drivers of change and business challenges identified above, it appears likely that management accountants will play a central role in efforts to expand and strengthen enterprise risk management efforts.*

anticipate and exploit opportunities while continuing to mitigate threats and manage challenges.

**The need for rigorous scenario planning** capabilities, executed throughout the organization, that address potential disruptions related to economic, environmental and geopolitical disruptions — including economic and environmental regulatory changes — and their impact on current and future organizational performance.

**An effective and agile risk communications structure** (e.g., risk committees and risk reporting), which relays key risk-related information up, down and across the organization. Most of these needs already have materialized. For example, regulatory risk was identified as the top business risk in 2010, according to an annual survey of global executives conducted by Ernst & Young. That said management accountants and other business leaders can expect these needs to intensify in coming years.





### THE 2020 MANAGEMENT ACCOUNTANT

Given the drivers of change and business challenges identified above, it appears likely that management accountants will play a central role in efforts to expand and strengthen enterprise risk management efforts.

As management accountants chart their personal course ahead, they should expect their roles to include many of the following risk-management responsibilities:

**Ensuring that the organization's risk management capability is sufficiently holistic** (covering strategic, operational, financial reporting, credit and brand/reputation risks) and pervasive so that every level of the company understands how to identify, assess, mitigate, manage and/or exploit threats, challenges and opportunities;

**Ensuring that risk information is quickly and effectively disseminated** throughout the entire organization as well as to the board of directors and to relevant trading partners;

**Ensuring that the organization integrates specific risk management needs** and capabilities whose prominence tends to fluctuate according to external volatility — such as environmental sustainability, BCM, IT security and pandemic planning — into the flow and fabric of enterprise risk management;

**Ensuring that the finance and accounting organization plays a leading role on the decision-making team** responsible for identifying opportunities for profit growth; and

**Ensuring that the organization's scenario planning processes** are conducted as part of the normal flow of operations in a rigorous, imaginative and repeatable manner.

The demand for the final responsibility listed above has increased in the wake of the global financial crises, which inflicted the greatest damage on companies whose scenario planning capabilities were the least rigorous and least imaginative. Imagination is required to help identify and prepare for both sides of the risk coin: threats and opportunities.

Consider global warming, notes Wong, who has previously worked in the financial services sector. "There is going to be a whole field of things that traders will make money on because of global warming," he explains. These financial instruments, partnerships and other opportunities will require companies and their management accountants to understand risks so that they can offset the threats and, when possible, exploit new opportunities.

These and other opportunities to make valuable contributions in 2020 and beyond already are re-shaping the management accountant role. These changes reflect the extension of a balancing act that management accountants have been honing for many years.

As a management accountant, Gammon adds, "you have to demonstrate credibility through sound technical skills, and then grow beyond that. You can't just be an accountant who produces financial statements. You need to think strategically and see the bigger picture. We've been saying that for decades." ■

**Eric Krell** is an Austin, Texas-based business writer.



# Business writing

## Presenting ideas with force and clarity

By **Douglas Tindal**

Present the big picture with enough detail to make it vivid, but not get so far “into the weeds” that your main point becomes lost.

### WHAT ONE SKILL, MORE THAN ANY

other, will help you advance in your career? Arguably, it's your ability to write with clarity and impact.

Consider: all of your peers are skilled in the quantitative disciplines of management. You work with the same concepts using many of the same analytical tools. When it comes to manipulating data, odds are you're just a face in the crowd.

But when you have the ability to take that mass of data and bring it to life in a simple, powerful idea; when you can not only see the big picture, but also express it in a manner that gives clear direction, then you have gone beyond measuring value to creating it.

This is not easy. Effective writing faces many barriers. Plain language becomes encrusted by jargon. Simple statements are weighed down with legal qualifications or policy considerations, until they're qualified to death. There's a constant tension to present the big picture with enough detail to make it vivid, but not get so far “into the weeds” that your main point becomes lost.

On the bright side, the skills that will

allow you to present ideas with force and clarity are a discipline like any other. With attention and practice, you can learn them.

Do a web search for “effective business writing” and you'll get about 25 million results. Most of them repeat some very common advice, much of which goes back several decades — and it is still good advice (see sidebar, Tips for effective writing). Use these suggestions as a checklist for your writing. As tactics they are timeless.

In a larger, strategic sense, though, the world has changed. We swim through a sea of professionally created media products all clamouring for our attention. (Some economists have even suggested that, in a web-driven world, attention equals money.) Here are two strategic imperatives for effective writing.

First, above all, respect the reader.

Imagine yourself standing before someone who has the power of life or death over you. Notice that you appear to be standing on a trap door. The person in front of you has just asked you a question and, as you begin your answer, you notice his (or her) hand casually resting on a lever.

*Effective writing faces many barriers. Plain language becomes encrusted by jargon.*

This is the position you are in every time you give someone else a piece of writing, whether it's a 50-page report or a 50-word e-mail. You are standing on a trap door that will remain closed only as long as you can hold the reader's attention.

Research by direct mail professionals suggests you have less than 15 seconds to convince the reader you have something worth saying. Eye-tracking research on the web indicates an even tougher standard. Most users will decide within three seconds whether to remain on a web page or leave.

How can you respond to this reality? Acknowledge your helplessness before the power of your reader. Your

*continued on page 38*

## Do you struggle with business writing?

### Do documents take too long to write?

Even those who have been writing for years often complain that their business writing doesn't get favourable results. Complete *CMA magazine's* Business Writing Survey to find out if you have the "write" stuff. The results will be published in a future issue. <http://www.surveymonkey.com/s/cmabusinesswriting>



## TIPS for effective writing

George Orwell is now best remembered as the author of novels like *1984* and *Animal Farm*, but he was also a formidable essayist. His "Politics and the English Language" (written in 1946) includes six rules for writing that have never been improved.

1. Never use a metaphor, simile, or other figure of speech which you are used to seeing in print.
2. Never use a long word where a short one will do.
3. If it is possible to cut a word out, always cut it out.
4. Never use the passive where you can use the active.
5. Never use a foreign phrase, a scientific word, or a jargon word if you can think of an everyday English equivalent.
6. Break any of these rules sooner than say anything outright barbarous.

Many of the guidelines for effective writing that you will find online, or even in university courses, borrow liberally from Orwell.

A few additional considerations:

**BEFORE YOU BEGIN WRITING, MAKE AN OUTLINE.** Jot down the two or three key points you want to make and the supporting evidence you will need for each. This is an exercise in clear thinking and it's the essential foundation of clear writing.

**MAKE YOUR WRITING CONVERSATIONAL.** This doesn't mean you should ignore rules of grammar, or that you don't need to organize your thoughts. It means you should avoid excessive formality and complexity. Keep it simple, as if you were explaining something to a friend.

**FAVOUR SIMPLE SENTENCES.** Use as few subordinate clauses as possible.

**REPEATING ORWELL'S RULE 4: KEEP IT ACTIVE.** The memorable phrase is "He shoots. He scores!" It is not "The puck is shot. The goal is scored." If you can't tell who's doing the action in a sentence, what are you trying to hide?



# The ROI on social media

## Time to bring in an accounting framework

What is the quantifiable value of social media?

By **Ted Morris**

### **MOST COMPANIES TODAY HAVE**

some presence on social networks. Facebook, Twitter, YouTube, Groupon, Foursquare and LinkedIn have quickly become mainstream media. For example, Starbucks and Coca-Cola each have 17 million fans on Facebook. More than 500 million people have a Facebook account or are a member of the Twitter community; and most teenagers have at least one Facebook account and send or receive an average of 100 text messages per day using their mobile devices.

Social media is not new. Consumers have been expressing their thoughts about brands or product experiences on the Internet for a decade in blogs and online forums. As far back as 2001, consumer-generated media or CGM (also referred to as online buzz) was being monitored by the automotive, entertainment, and consumer packaged goods industries. These types of products generate emotional response from consumers and there are places on the Internet for them to congregate and share their experiences.

Utilizing accounting methods to measure the value of social media is an emerging management issue. There are two main drivers that suggest the need to create an accounting roadmap: the value of online content (buzz) generated by consumers and the risks associated with online fraud and the security of customer information.

Is there a quantifiable value in social

media? Syncapse, a Toronto-based firm specializing in online content management, has come up with the figure of US\$136.38 as a proxy for the average value of a Facebook fan. This figure was derived by surveying 4,000 people about their purchasing behaviour.

Up to 40 per cent of brand fans on Facebook are motivated by offers of discounts and promotions. Others enjoy being brand advocates. In a broader context, brand fans also routinely shop for products at retail and are exposed to TV advertising. Traditional media and new media increasingly contribute to business building. Traditional media has many GAAP-type metrics in place as industry standards whereas new (social) media lags in having the legitimacy of a communications and advertising medium that is perceived as generating a clear cut ROI.

“As marketers shift dollars from traditional media advertising to social media, there is an increasing need to validate ad spend in terms that illustrate social media’s impact on the bottom line,” says Michael Scissons, president and CEO of Syncapse. “We have observed that the companies most successful at social media marketing have found a way to quantify results, whether they are measuring in terms of earned media value, share of voice, dollar value of fans or purchase health intent.”

Valuating the social media effort relates to the question of organiza-

One firm estimates the average value of a Facebook fan is **\$136.38.**

tional maturity. Some companies are measuring buzz or word of mouth (WOM), as a proxy for increased brand awareness and purchase intent. While not a hard financial measure, WOM provides the impetus to continue running marketing campaigns that incorporate social media.

“Right now, it’s the quality of the engagement that is our measuring stick for success. People have a deep, personal connection to McDonald’s and it comes out loud and clear in our daily interaction. This was especially evident during our most recent two-week free coffee offer where the energy and excitement around the program was really driven home by our followers, generating a buzz that helped increase traffic to our restaurants,” says Louis Payette, spokesperson for McDonald’s Restaurants.

Other companies, notably in the financial services are in the early adopter stage, due in part to the security and regulatory environment. According to Paul Meloche, CMA, senior manager, finance — direct channels, TD Bank, “The banking industry is still generally at the stage of trying to figure out how social media can be leveraged from a sales and customer experience enhancement point of view. For example, we know that it can be a way to provide customers with information say, about store hours, but how can it be used to create targeted messages in a non-secure environment? How can this be measured, and value properly attributed to it?”

Regulated industries need to tread carefully when undertaking campaigns that put their customers out in an open environment such as the social web. This is something that firms in less regulated environments should take heed from. After all, one of the greatest beneficiaries of the Internet and social media in general has been those in the business of cybercrime — online identity theft and fraud.

“The security aspect (in the financial services industry) is a key piece of the broader online space,” Meloche adds. “For example, risk management in this evolving channel is critical not just to maintaining shareholder value, but for properly growing future value and it marries well with the accountability process, notably in forecasting where gauging the future value takes place.”

As the adoption of social media continues to grow, don’t be surprised to be called to the C-suite and be asked to play a pivotal role in the discussion. ■

**Ted Morris** is president of 4Squared, a marketing consulting company in Toronto.

#### HOW DO YOU MEASURE INTERNET MARKETING ACTIVITIES?

In 2007, CMA Canada commissioned noted authors Mark J. Epstein, PhD, distinguished research professor of management, Jones Graduate School of Business at Rice University in Houston, and Kristi Yuthas, PhD, associate professor of accounting at Portland State University, to investigate and draft a Management Accounting Guideline (MAG)<sup>®</sup>. CMA Canada recognized the importance of Internet Marketing (IM), an aspect of e-commerce where customers make online purchases through a company’s website or a third party site such as Amazon.com. With the rise of social media and Web 2.0 marketing tools, CMA Canada’s MAG<sup>®</sup> “Evaluating the Effectiveness of Internet Marketing Activities” has become an increasing important resource for professional accountants in business.

The rapid growth of Internet marketing (IM) generates a corresponding increase in marketing activity, along with technology purchases and new processes within organizations. The resulting resource use requires a method to determine the financial payoff of IM, support the business case for future IM activities and account for its contribution within the value chain.

As Internet-based marketing continues to grow, so will the need for new performance measures that keep value in focus. The emergence of social commerce, currently in the “hype cycle of inflated expectations,” adds a new layer of complexity in evaluating the assets and financial flows of the digital marketing mix.

CMAs can access the full MAG by clicking on the Business Resources section at [www.cma-canada.org](http://www.cma-canada.org).



# What's ahead for accounting and finance positions?

Companies look to hire in 2011 By Andrea Civichino

**A**s business stability gradually replaces economic uncertainty, the hiring outlook for finance and accounting professionals in 2011 looks promising.

Although companies recognize the recession may not yet be a thing of the past, Canadian businesses are adding staff at various levels to meet a range of needs — restoring roles that were cut during the downturn and hiring higher-level accounting and finance roles to help them respond to increased business activity.

According to the 2011 Salary Guide from Robert Half International, controllers, performance analysts and business analysts will be in high demand in 2011. The guide predicts starting salaries for most accounting and finance roles will rise modestly, on average. For example in the banking and financial services sector, private bankers can expect to see starting average salaries rise by 3.7 per cent to a range of between \$53,250 and \$88,250. The guide also predicts performance analysts will experience the greatest increase in average compensation — 5.1 per cent to a range of between \$56,250 and \$86,750.

“There’s always going to be a demand for controllers,” says Dianne Hunnam-Jones, district president, Robert Half International. “Companies are looking for controllers who can handle senior responsibilities, but still manage the day-to-day items. Companies coming out of a downturn are looking at ways to become more efficient, save money, have the right kind of information to make decisions. That’s why analysts are so important.”

Peter Jeewan, president and chief executive officer of Lannick Group of Companies says hiring in 2011 will be relatively firm in Q1 and hopes it maintains the same momentum throughout the year.

“It just goes to show you just how resilient the industry is,” he says. “As long as there are businesses, you need people helping to make decisions. We don’t expect that kind of dramatic increase year over year as we experienced in 2010 over 2009, but we expect a firm and steady demand for these types of roles.”

In general, Canadian companies are on the lookout for candidates who can conduct detailed financial analyses, understand business trends and identify cost savings. Employers want

## “Technology skills particularly on the ERP solutions side are in demand.”

candidates with expertise in areas such as tax, regulatory compliance and financial reporting. Many are placing emphasis on filling operational accounting roles. Technological proficiency, from advanced knowledge of popular software programs such as Microsoft Excel to company enterprise resource planning systems, is also a desirable skill set.

“Technology skills, particularly on the ERP solutions side, are extremely in demand,” says Hunnam-Jones. “Having that knowledge, having been through a conversion and part of the project’s task force is a key advantage. It’s very important for job candidates to highlight these items on their resumé.” She adds that continuing education is another area candidates need to highlight on their resumé, especially courses dealing with accounting standards such as International Financial Reporting Standards (IFRS).

Jeewan highlights that many of his clients are in search for candidates who have both technical and soft skills.

“From a technical standpoint, employers are looking for financial professionals who can interpret the numbers and get the business story behind them,” he says. “There’s a huge emphasis on soft skills. It was a discussion for many years, but it’s really front-and-centre now. Employers are looking for people who have emotional intelligence, are good with people, can be an effective part of a team and are strong communicators. The difference between a successful management accountant and a very successful management accountant is on the soft skills side.” ■

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*Andrea Civichino is an editor of CMA Canada.*

### Accounting and finance industry jobs among the top most promising

**Performance analyst:** Expected to see the largest jump in starting salaries. Average starting compensation range is projected to rise 5.1 per cent (a range of between \$56,250 to \$86,750). Canadian employers want professionals who can prepare portfolio, benchmark and statistical reports; maintain and update performance databases; and evaluate return on investment for the company.

**Controller:** Average starting salaries are expected to climb 4.9 per cent (a range of between \$85,500 to \$113,750). Organizations want to add controllers and assistant controllers to oversee accounting operations, enhance accounting and internal control systems, and assist with growth initiatives.

**Public accountant:** Professionals in midsize/small firms can anticipate a 2.2 per cent gain in base pay (a range of between \$65,000 to \$84,250). Employers want staff that can perform a broad range of accounting, auditing, tax and consulting activities.

**ERP business analyst:** Base compensation for professionals who tailor enterprise resource planning software is projected to increase 9.3 per cent (a range of between \$80,000 to \$105,000). Companies will look for professionals who can guide better decision-making processes, help reduce costs and evaluate internal/external clients.

2011 Robert Half Salary Guide

### Want to make a new career move in 2011? Here are some tips.

“Any change should involve further education in technology. Make sure you have your arms wrapped around as many pieces of technology as you can. Make sure that every touch point you have in the marketplace as you go through your job search remains consistent and professional. Know exactly what you want, and how you want to represent yourself in the marketplace ... everything from your resumé, to your cover letter, to your LinkedIn profile, to how you present yourself in your interview and your follow up letter afterwards. Employers are critical. They still believe there are a lot of people to choose from.”

— **Dianne Hunnam-Jones**,  
district president,  
Robert Half International

“I think it’s a good time to make a career move and it’s a good time to be looking. Flexibility and thinking outside the box are useful tools. For example, we’re seeing that recent grads who are more open to temp and contract jobs are successful finding employment opportunities. Candidates should continue to develop leadership skills, communication skills and strong people skills. We’re working in a collaborate world and employers are looking for what they can get the most out of their teams. It’s not just about the individual anymore.”

— **Peter Jeewan**, president and  
chief executive officer,  
Lannick Group of Companies

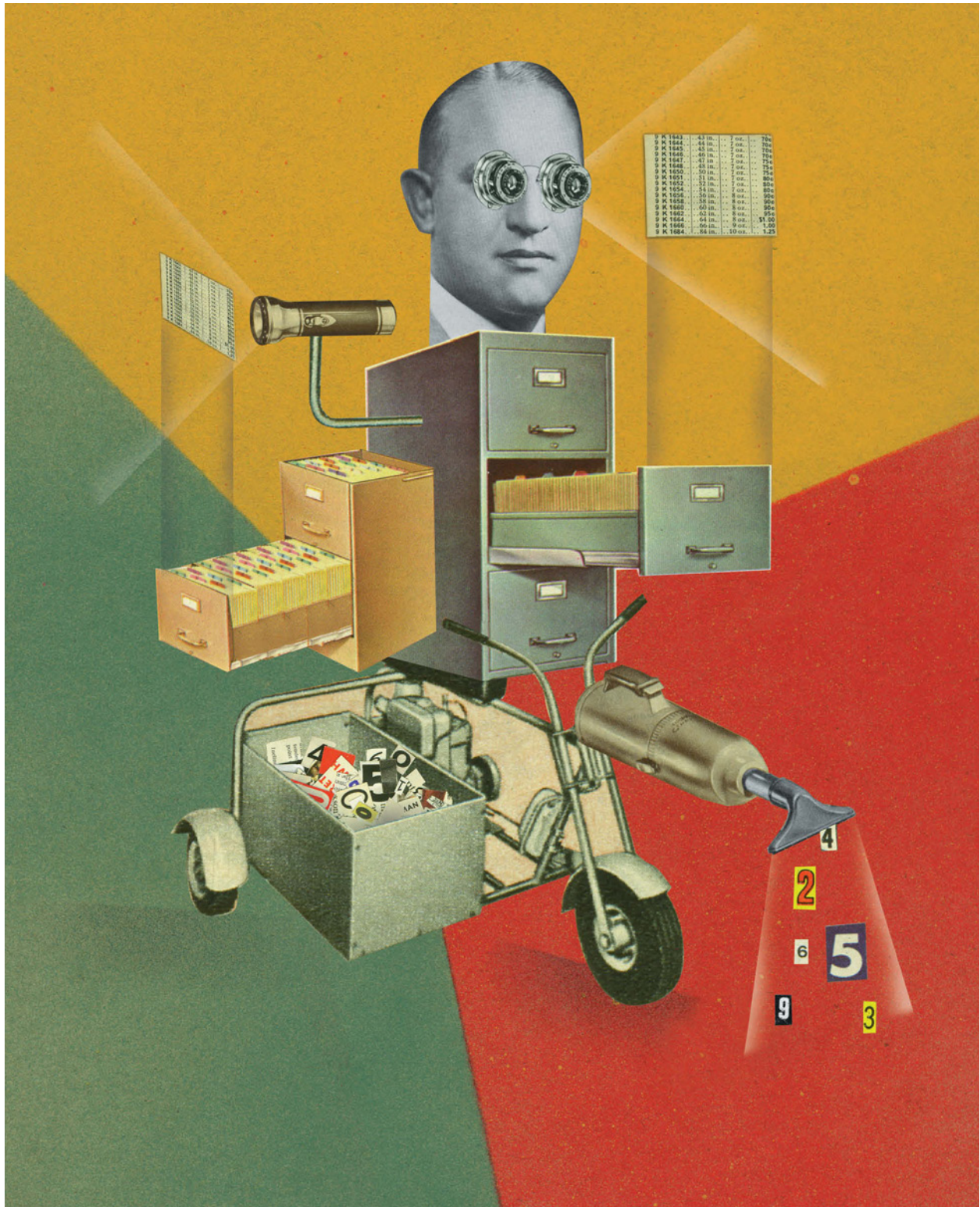


Illustration: David Plunkert, iSpot



# Evidence- based decision making

**USING BUSINESS INTELLIGENCE  
TO DRIVE VALUE**



By **Bernard Marr**

**To base our decisions on the best information available** requires nothing more than common sense. For example, when we want to buy a new car or purchase a house, we usually do a little research to get some of the key facts before moving forward. You might read expert reviews of the car you are interested in, speak to people who drive that car, and consult statistics on fuel consumption, safety ratings and performance. For a house, you might visit relevant websites to see previous purchasing prices, speak to potential future neighbours, and look at the ratings of schools in the neighbourhood and crime statistics.



However, in management, we seem to be obsessed with collecting and stockpiling data but then fail to turn this data into relevant insights and better management decisions.

#### THANKS TO A DECADE OF ADVANCEMENTS IN

information and communications technologies, we now live in a world that allows data to be easily and cheaply collected and stored in massive quantities. A useful analogy is to picture a manager today as a 19th century gold prospector. Just as those prospectors had to pan tons of worthless silt to find a few nuggets of gold, today's managers are expected to pan masses of worthless data for those few golden nuggets of information that provide relevant insights that lead to better decision making and, ultimately, to competitive advantage.

Many organizations still fail to grasp that there is a need to systematically extract those "golden nuggets." Instead, they hoard data in the mistaken belief that simply having it available in and of itself adds value, leaving it up to individual decision makers to pan for those golden nuggets of information.

Some of today's most successful companies, including Internet giant Google and retailer Tesco, are making sure that their ability to systematically collect and use relevant information allows them to gain real competitive advantages over their competitors. Through Evidence-Based Management (EbM), organizations explicitly use evidence (the best and most appropriate information) to guide the decision-making processes to extract maximum value and competitive advantage from their data and information.

According to Robert Sutton, a professor at Stanford University, EbM is a simple idea: It just means finding the best evidence that you can, facing those facts, and acting on those facts – rather than doing what everyone else does, what you have always done, or what you thought was true.

There are five key steps for the effective deployment of EbM.

#### **Step 1:** Define objectives and information needs.

During this step, ask these questions – “What are our strategic aims?” and “Based on those aims, what do we need to know?” This vital first step ensures that the real information needs are clearly articulated and the “who needs to know what, when, and why,” are clarified.

**Step 2:** Collect data. The emphasis here is on meaningful and relevant data to meet the information needs identified in Step 1. Organizations need to (a) assess whether the needed data is already held somewhere in the organization, or (b) know how to devise the best way to collect the data.

**Step 3:** Analyze data. Turn data into relevant insights. Data has to be analyzed and put into context to extract information.

**Step 4:** Present information. Communicate the information and insights extracted in Step 3. The main focus is to get the information, in its most appropriate form, to the decision makers.

**Step 5:** Make evidence-based decisions. Turn information into knowledge and decisions. Make sure that the available evidence is used to make the best decisions. It is important to create a knowledge-to-action culture and avoid the knowing-doing gap so prevalent in many organizations. The five sequential steps of this framework provide a blueprint for evidence-based decision making. However, the logic of good evidence-based decision making is not just linear (from Step 1 to Step 5), as there is a feedback loop between the last and the first step (from Step 5 to Step 1).

### INFORMATION TECHNOLOGY AS AN ENABLER

IT and business intelligence (BI) play a crucial role in evidence-based decision making; however, they cannot make it happen alone, but rather must be used to support the steps outlined here. IT infrastructure and applications are critical enablers of the data collection process, data analysis, and the presentation and dissemination of information. Although IT infrastructure and business intelligence applications are important elements of evidence-based decision making, they are not a step in this framework. As much as anything, this is to highlight the importance of identifying the right steps, therefore helping to veer organizations away from being seduced into the belief that all they need is a state-of-the-art BI infrastructure.



## STEP 1:

### DEFINE OBJECTIVES AND INFORMATION NEEDS

Instead of focusing on collecting everything that is easily measured and counted, organizations need to be more systematic and selective about the information they are gathering. For that purpose, managers need to clearly establish the objectives and information needs. This can be achieved with the following four steps:

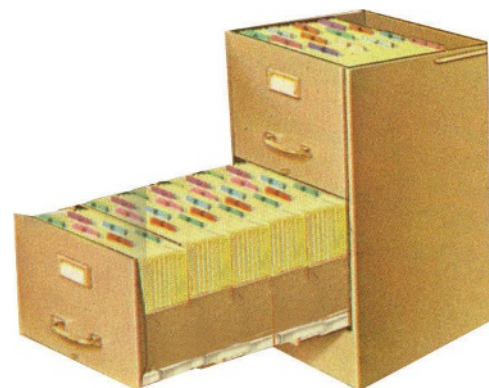
- i. **Identify the strategic objective/information need:** Here we link the data that we collect to the most important drivers of value and performance. This ensures that the analytics we generate (a) are relevant to the organization's competitive positioning, (b) support its greatest information needs, and (c) are not wasted on irrelevant "interesting to know" issues. Strategy maps, for example, are powerful tools to identify the high level objectives and the key enablers of performance.
- ii. **Identify who has the information need:** Here it is important to define the target audience (information customers). Information customers can be groups of people such as the board of directors, senior managers, the HR department, the marketing managers, or a single person.
- iii. **Clarify what questions they want answered:** The aim is to ensure that the analytics provide the knowledge that will enable the recipients to make the most appropriate and focused market decisions. The executive team of Google, for example, has identified 17 key questions to guide their corporate data collection.
- iv. **Clarify what decisions need to be taken:** Finally, we need to clearly identify any important decisions the data supports.



## STEP 2:

### COLLECT THE RIGHT EVIDENCE

An essential component of EbM is having the right evidence to support decision making. Building evidence requires the careful collection of the right data, yet our understanding of the word "data" is often confused. People wrongly believe that data has a narrow numeric definition. This is incorrect. Data comes in a myriad of forms – sounds, text, graphics and pictures are as much data as are numbers. What we have to become better at is collecting more qualitative data and triangulating data from different sources to build up more relevant evidence. Asking people for their opinion is a great way of collecting more qualitative data. For example, if the police department wanted to understand the level of knife crime, a key source of information would be a national crime survey – a tool that records a person's experience and view of crime. However, extensive press coverage of knife crime can inflate the perception of certain crimes. To avoid this, the police are now collecting data from hospitals about their treatments of stab wounds to put their own figures into perspective and generate a more realistic picture of what is happening.





### STEP 3:

#### ANALYZE DATA TO GENERATE INTELLIGENCE

To put data into context, it needs to be analyzed. Data analysis is a core requirement in creating evidence used for decision making. Yet, repeated research shows that most organizations are still more focused on collecting and distributing data than they are in doing any meaningful analysis.



### STEP 4:

#### COMMUNICATE AND PRESENT THE INSIGHTS

To ensure decision makers understand the insights, it is important that information is presented and packaged in the most appropriate way. Good communication is kept simple and focused on the message the user needs to receive. Instead, we either provide too much detail or distract people's attention by using hard to read three-dimensional graphs, overdo emphasis colours (e.g., bright red, yellow, orange, or green) and use too many different varieties of graphs, which makes a comparative analysis difficult.



### STEP 5:

#### MAKE EVIDENCE-BASED DECISIONS

In this final step, we look at how to turn the information into (a) knowledge, and (b) better decisions that we can act on. The steps organizations can follow to create a culture that is conducive for transforming knowledge into action, include: (a) create a passion for learning and improvement, (b) ensure leadership buy-in, (c) develop widespread ana-

*continued on page 41*

IT infrastructure and applications are critical enablers of the data collection process, data analysis, and the presentation and dissemination of information.

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# Time management

## Curb meeting times

By Jennifer Campbell

**GAIL BANCROFT, CMA, USED TO LEAVE WORK SOMETIME BETWEEN 7 AND 8 P.M. EVERY NIGHT. NOW, SHE HEADS HOME AT 6 P.M. WHAT CHANGED? SHE STARTED USING A FEW SIMPLE TIME-MANAGEMENT TRICKS GLEANED FROM A RECENT WORKSHOP.**

The trick was to understand the idea of breaking up your day and your tasks into manageable blocks of time, and mapping them out on a calendar.

“When I got back to the office, I thought about my projects, what needed to be done on each, and then I broke the work down into blocks of time which I put in my calendar,” said Bancroft, a comptroller at Caledon Laboratories.

That doesn’t mean she always gets to everything in her calendar, but what she misses, she can pencil into another day. That way she doesn’t lose track of it.

It’s not rocket science, but it’s a concept that eludes many nonetheless. To that end, we consulted Bancroft’s time-management workshop guru and asked him for his top-10 time-management tips for CMAs. Here are 10 suggestions from Steve Prentice, author of *Cool Time: A Hands-on Plan for Managing Work and Balancing Time* (2005) and *Cool Down: Getting Further by Going Slower* (2007).

- 1 Tell your e-mail who’s boss:** Prentice suggests blocking out times in your day to look at e-mail and then otherwise, ignoring it. “E-mail gives a false sense of urgency,” he says.
- 2 Make priorities:** Figure out what your most important tasks of the day are and focus on them in fixed times. “Block time — 20 minutes, or 40 or 60, according to your attention span — and you’ll improve quality and accuracy.”
- 3 Offer an alternative to “now”:** Give those demanding your time immediately a clear alternative. Instead of saying, “I’ll call you back this afternoon,” tell them you’ll call at 3 p.m. You eliminate the fear of the unknown that way.
- 4 Plan, plan, plan:** As you look at your day, think about scheduling things so you’re not working in an ad-hoc basis where you can lose big chunks of time without realizing it.
- 5 Use the phone:** “Often much more can be gained by calling and talking live than using e-mail. We need human interaction to be creative, but people are afraid of getting stuck.” Suggest a five-minute talk, make sure the topic is clear, and avoid unnecessary small talk.
- 6 Keep the aisles clear:** Half of a warehouse’s space is empty by necessity — so you can drive the forklifts in and make it functional. Treat your day the same way by building in space. “There’s a difference between busyness and achievement,” Prentice says. “Allow space between those tasks to travel, arrive, wrap up that task by taking notes and then regroup before the next task.”
- 7 Nourish your brain:** Many people fail to eat protein at breakfast. Your blood sugar levels have an enormous capacity to influence how well you do your job. No protein in the morning will mean you’re not at your metabolic best.
- 8 Take the time to make things tangible:** Writing troubling or challenging things out gives you some perspective and allows you to identify solutions.
- 9 Work at your best:** We all have different rhythms. If you’re a morning person, tackle challenging tasks first. Then, in your natural downtime, try less taxing tasks such as returning phone calls and checking e-mail.
- 10 Curb meeting times:** Meetings are identified as the number one time-waster in North American business (with e-mail as a close second). Make sure your meetings are always only 55 minutes long. People know when it’ll be over, and somehow, it encourages them not to be late. “It’s like pricing something at \$19.95 instead of \$20. It’s only five minutes, but it works.” ■

.....  
**Jennifer Campbell is an Ottawa-based freelance writer.**

# Ethics and the accountant

The authors explain what the data shows about Canadian accountants' usage of different types of ethical thinking.

By **Linda Thorne** and **Dawn Massey**

**SOCIAL AND PROFESSIONAL EXPECTATIONS MAY BE** undergoing a major shift as Canada moves to adopt International Financial Reporting Standards (IFRS) effective this year. To date, industry focus has been mainly on the technical aspects of IFRS adoption; however, IFRS also is likely to impact the ethical aspect of accountants' professional judgment because IFRS requires the use of a more "principled" approach to accounting standards than previously required by Canadian General Accepted Accounting Practices (GAAP). With the adoption of a more principled approach to accounting standards, the ethical aspect of accountants' professional judgment takes on a greater importance.

Accounting research suggests that accountants can think about ethical issues in one of three ways that correspond to the three types of ethical thinking: pre-conventional, conventional and principled thinking. Accountants use pre-conventional ethical thinking when they decide what is right or wrong based upon consequences, and often, self-interest. An example of using pre-conventional thinking is management's decision to pad a budget because a bonus will be received if the budget is met. Accountants use conventional

ethical thinking when social consensus, such as accepted practices, rules and laws, define what is right or wrong. An example of using conventional ethical thinking is management's structuring a contract, such as a lease, solely to achieve a particular accounting result. Accountants use principled ethical thinking when they use universal ethical principles of justice and the common good to determine what is right or wrong. An example of using principled ethical thinking is management's voluntarily disclosing to shareholders the firm's environmental and social practices, even if they are less than flattering, because it is right or justifiable to do so.

We surveyed 215 Canadian accountants in private industry and in public practice to find out — before Canada moves to IFRS — how Canadian accountants tend to think about ethical issues. We found that Canadian accountants predominantly use conventional ethical thinking (approximately 55 per cent), with about 40 per cent using principled ethical thinking and about five per cent using pre-conventional ethical thinking. We also found that there is essentially no difference between the ethical thinking of Canadian accountants in private industry and that of Canadian accountants in public practice.

## THREE TYPES OF ETHICAL THINKING

Type	Basis for Deciding Right & Wrong	Example
<b>1. PRE-CONVENTION</b>	Reward and punishment	Pad a budget to receive a bonus
<b>2. CONVENTIONAL</b>	Rules, law and order	Structure a contract (e.g., a lease) to achieve a particular accounting result
<b>3. PRINCIPLED</b>	Principles of justice and the common good	Disclose the firm's unflattering environmental/social practices to do what is right/just

Source: Adapted from L. Kohlberg's "Moral stages and moralization."

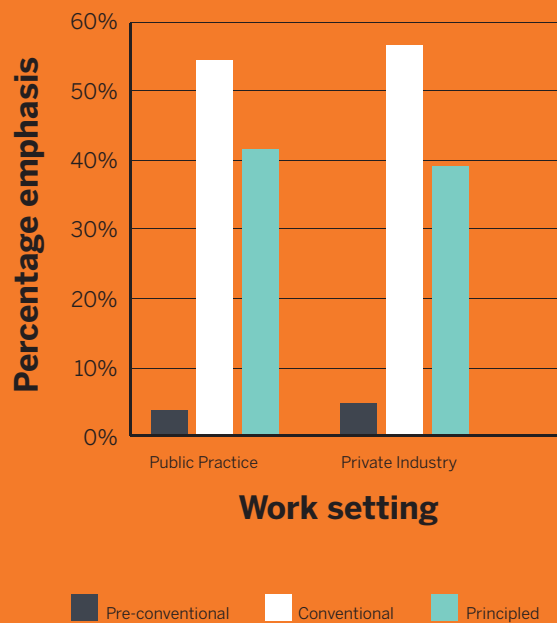
*“Education, training and experience as well as professional and organizational commitment influence accountants’ ability to utilize principled ethical thinking.”*

What did the results of our survey tell us? Basically, and not surprisingly, Canadian accountants tend to look to rules or conventions to determine what is right or wrong. Accountants’ ethical thinking presently is based on their knowledge and application of fair and comprehensive codes of conduct and accounting standards. Given this, as Canada transitions to IFRS standards, which involve fewer bright line rules and more consideration of general principles, Canadian accountants must be encouraged to use more principled ethical thinking in making their professional judgments. That means ensuring that accountants consider what is fair/just/right is in the determination of their professional judgment. More importantly, once accountants use principled ethical thinking to determine the right thing to do, they should be encouraged to do it.

To that end, it is generally accepted that education, training and experience as well as professional and organizational commitment influence accountants’ ability to utilize principled ethical thinking. Education, training and experience as well as environmental factors, such as budget and time pressures, impact accountants’ likelihood of actually doing the right thing. Thus, in the IFRS world, considerations of how to adapt the education and training of accountants, as well as the environment within which the accountants are working to ensure that accountants are able to use principled ethical thinking and do the right thing.

Canada’s decision to adopt IFRS suggests that social and professional expectations also may be undergoing a major shift. With the adoption of a more principled approach to accounting standards, encouraging principled professional judgment takes on greater importance. Educators and companies will have to lead the way to the IFRS world by taking the steps necessary to encourage accountants to utilize principled ethical thinking and then to do the right thing. ■

**Canadian accountants’** usage of the different types of ethical thinking—by work setting



Source: Jones, Massey and Thorne, 2003

**Linda Thorne, PhD, CA**, is a professor of accounting at the Schulich School of Business, York University; **Dawn Massey, PhD, CPA**, is a professor at Fairfield University.

# De-risking your benefits program

## Understand the exposure

By **Brian Lindenberg**

Some key steps in de-risking your benefits program include developing a decision making framework.

**RISK MANAGEMENT IS OFTEN OVER-**looked as a priority with respect to employee benefit programs. However, the risks are real and costly and should very much be on the radar screen of senior management.

A benefits program is an investment and as with all investments there are inherent risks: risk that the expected return does not materialize; risk that what you thought you “bought” turned out to be different than what you got; risk that the cost of managing the investment significantly reduces your return. And with all investments, there are opportunities to minimize these risks and in the process, maximize the return on your benefits plan investment.

The list of risks is long, and varies in both length and significance for each organization. These risks include:

**Inadequate coverage** — A benefits program is intended to protect employers and their families from the consequences of ill-health, disability and death. If the coverage is poorly designed and inadequate, it may put the plan sponsor in a dif-

ficult position. There have been many examples of where a gap in coverage has led to the employer paying for a benefit out of general revenues if for no other reason than they felt it is the right thing to do.

**Unintended promises** — The benefit promise may be articulated in any number of places — the group insurance contract, the collective bargaining agreement and the employee handbook or benefit enrollment material. Unfortunately, this information is often inconsistent or incomplete which can lead to unintended promises. Sometimes the documentation is simply too vague and subject to different interpretations. The plan sponsor may be put in a position of defending their opinion in court, going through a grievance process or simply paying a claim that was never intended to be covered.

**Unexpected costs** — The benefits environment can generate unplanned costs. Provincial governments have been active in managing their healthcare expenditures resulting in





potential cost shifts to employer-benefit programs. Plan sponsors without clear, up-to-date definitions of what the plan covers—and what it does not—can experience cost creep. This will be a significant exposure for employer benefit plans in the future.

**Uncontrollable costs** — The cost of many aspects of the plan will continue to escalate. Disability plan costs are expected to continue to rise and relatively few plan sponsors have considered the future impact of high-cost medications on their extended health plan costs. Benefit plan costs may become unaffordable in the future unless steps are taken today to immunize the plan from these uncontrollable costs.

**The cost of administration/communication errors** — Mistakes happen. They are often innocent administration errors, sometimes with significant financial consequences. Lost or misplaced enrollment forms are a common error. When a claim is filed by the un-enrolled employee, more often than not, the sponsor digs

into their pocket to pay. Communication errors can be equally as problematic if inaccurate or incomplete statements are made which can lead to a misrepresentation of the benefit promise to employees.

**Reputational risks** — A well designed and appropriately delivered benefits program can enhance an employer's standing with their employees and families. The rules of customer service tend to apply — when employees have a good experience with the plan or its delivery, they will tell one other person. When they've had a bad experience, they will tell 10 people. A poorly designed program with problems in its delivery can damage an employer's credibility — both internally and externally.

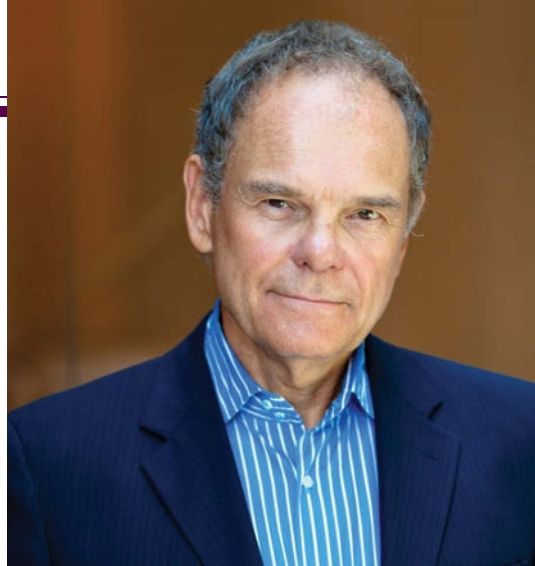
**Poor execution** — More times than not, an organization relies on others to deliver on their benefit promise to employees and in the process protect the organization from many of the risks described here. An insurance company is likely used to underwrite all or a portion of the benefits obligation and

to pay claims. And a benefits advisor may be used to provide counsel and to protect the interests of the organization and their employees. As with any business, the capabilities of advisors can vary considerably, and as a result an organization needs to pay attention and do proper due diligence. The consequences of poor delivery and/or poor advice can be significant.

De-risking your benefits program starts by understanding the exposures in your plan and knowing that you can mitigate them. It involves establishing clear objectives for benefits programs and a framework for decision making in the management of key risks including the assignment of responsibilities and accountabilities.

There are far too many plan sponsors that believe their liabilities are covered by the premiums that they pay and that at the end of the day "it is just insurance." Insurers, by definition, are experts on risk. Now, more than ever — driven by economic pressures and shareholder demand — insurers are exercising their expertise at risk mitigation to manage their own businesses.

*continued on page 39*



## Questions for Don Tapscott

Author Don Tapscott explains what is influencing the way companies innovate and create value

**Q:** In your book *Growing Up Digital* you wrote a great deal about the growth of the “net generation” and how young adults today are being educated in an environment heavily influenced by the Internet. What advice would you give to a business leader on how to manage a workforce increasingly made up of “net-geners”?

**A:** Digital natives — otherwise known as the net generation — are no longer satisfied with the old corporate model of recruiting, training, supervising and retaining. Companies should adopt a new model in acquiring and retaining them. Treated properly, net generation employees are ideally suited for today’s new corporation. They are savvy, confident, upbeat, open-minded, creative and independent, which makes them a challenge to manage.

**Q: Let's talk about "open innovation" and some of your ideas from your book *Macrowikinomics: Rebooting Business and the World*. The book received a lot of buzz. *The Economist* went so far as to call it "a Schumpeterian story of creative destruction." In it, you argued that many of the institutions of the industrial age have finally come to the end of their lifecycle, and are now being reinvented around a new set of principles and a networked model. If I'm a CMA running a business unit or a CEO of a Canadian company, what should I be worried about?**

**A:** Many things. At the level of the economy, you should be worried that we are headed into two decades of slump, unless we find ways to reboot business and our other institutions as we describe in the book. As a CMA or CEO, we need to change many aspects of not just how we run a company, but our view of what is a company. There are fundamental changes occurring in the way companies orchestrate capability to innovate and create value. Smart firms recognize that innovation often begins at the fringes. Increasingly, these hierarchical enterprises are turning to collaborative business models where masses of consumers, employees, suppliers, business partners, and even competitors co-create value in the absence of direct managerial control. This is happening because of the declining cost of collaborating brought about by digital technologies.

**Q: Corporate leaders and the accounting profession are increasingly concerned with how to measure and manage the triple bottom line — economic, environmental and social. What in your view has brought business accountability to this point?**

**A:** Transparency. Today customers can evaluate the true worth of products and services. Employees share formerly secret information about

corporate strategy, management and challenges. To collaborate effectively, companies and their business partners have no choice, but to share intimate knowledge with one another. Powerful institutional investors today own or manage most wealth; they are developing X-ray vision.

**Q: The use of social media, Web 2.0 and mobile platforms are seen by some companies as a competitive advantage. For a CMA who is trained to look at the metrics of a business situation, how does a management accountant ever hope to calculate the ROI on social media?**

**A:** Measurement and quantification is always a good idea. Among other reasons, it's difficult to change what you can't measure. Evidence is always helpful in building the case for transformation. However, when it comes to this revolution, most companies will adopt the Bob Dylan law, which means you don't need a weatherman to know which way the wind is blowing.

**Q: Is there any general advice or comment you would make to a young student entering the accounting field?**

**A:** Work hard to develop your craft. Work even harder to build the knowledge that increasingly contextualizes your profession. Knowledge of new business strategies, emerging technologies, and the opportunities they provide. And the far-reaching changes to the economy and other institutions. In the past this broader knowledge was not particularly relevant, but today it is because a business cannot succeed in a world that is failing. ■

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**Don Tapscott** has authored or co-authored over a dozen widely read books on the application of technology in business. His most recent book, with co-author Anthony D. Williams, is *MacroWikinomics: Rebooting Business and the World*.



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# In their own words

## Bringing the CMA story to life

By **Suzanne Godbehere**

### GREEN-ENERGY VISIONARIES,

groundbreaking public servants, business-changing leaders, these are just some of the CMA success stories highlighting how our members truly create possibilities. As we saw last year through our brand campaign, the absolute best way to bring the CMA story to life is to get CMAs talking.

It's a simple truth that continues as the basis for this year's testimonials, which use compelling professional successes to highlight the benefits of being a Certified Management Accountant.

The Create Possibilities™ campaign, created in partnership with ad agency TBWA, features CMAs driving business in a variety of sectors including energy, government, fashion, retail, agriculture, gaming, distribution, sports and entertainment. Similar to last year, members were filmed, documentary style, and will be profiled on the CMA recruitment website ([www.becomeacma.com](http://www.becomeacma.com)) in addition to television, print and online.

"We wanted to continue our focus on profiling CMAs making significant contributions in diverse industries throughout the country. Their pride, passion and accomplishments make them great ambassadors for the program and reinforce the CMA message," says Joy Thomas, president and chief executive officer, CMA Canada. The range of CMAs doing great work from accounting to management to strategy is impressive."

One of the members profiled is Robert Thorsten, vice-president, People and Patron Services for True North Sports and Entertainment. Thorsten selected the CMA designation because of the management aspects that include operations, marketing and communications. As he says, "The breadth of knowledge that you get through the CMA program, the functional knowledge, the strategic knowledge allows you to rise up through the organization."

*The range of CMAs doing great work from accounting to management to strategy is impressive.*

Atul Mahajan, president and CEO, Oshawa Power and Utilities Corp., has a passion for making an impact on business rather than just measuring performance. "I chose the CMA program because it offers vision,

leadership and strategies to make a difference in any business," says Mahajan. "Oshawa Power wanted someone who could drive the business beyond just looking at the numbers." To this end, his executive team discusses the future of electricity and how the utility will move towards green power generation.

These testimonials are especially poignant for anyone just beginning their careers and wondering what the future holds. They'll be inspired by Marlène Lachance, director of Performance Management at Groupe Dynamite, who is proud, "To have the opportunity to influence strategic direction and business processes;" Martial Gagné president of Lunetterie New Look who leads a company that leads an industry in eye care products; and by George McClean, vice-president & General Counsel, Acklands-Grainger Inc., a lawyer and a CMA.

Whether they're leading multi-billion dollar concerns, gauging the future of electricity generation or guiding fashion trends, CMAs rely on their accounting, management and strategy skills to drive successful businesses. We feel that by using these successful and passionate brand ambassadors, CMA Canada can showcase the designation's core competencies and also inspire current and future business leaders. ■

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**Suzanne Godbehere** is the vice-president, marketing & communications of CMA Canada.



# Fresh start: New NFP legislation

## New corporate financial reporting requirements.

By **Adam Aptowitzer**

### FOR THE FIRST TIME IN LIVING

memory, federally incorporated non-share capital corporations will receive a new governing act when the Canada Corporations Act (the “Old Act”) of 1917 is replaced with the Canada not-for-profit Corporations Act (the “New Act”). The New Act will affect, despite the misnomer of its name, federally incorporated not-for-profits and registered charities previously incorporated under the Old Act. As none of our clients will remember a time before the passage of the Old Act, it will fall to us as professional advisors to guide them through the transition.

Fortunately, most professional advisors have developed some facility

with the Canada Business Corporations Act (the “CBCA”) and its provincial cousins, upon which much of the New Act is based. Fundamentally, the New Act relies on the various checks and balances within the corporate structure to ensure that corporations are governed according to the wishes of its members. It does this by making information more generally accessible to directors, members and even creditors of the corporation. Also, to encourage better governance of corporations that accept public money, the New Act creates different rules for these corporations (called soliciting corporations) than ones who do not.

A soliciting corporation is one which has received over \$10,000 from a public source as determined at the end of a financial year. Public money basically includes donations from the public (directly or indirectly) and government grants. Given this definition advisors will have to be alert to the fact that a corporation may qualify as a soliciting corporation one year and a non-soliciting one the next. The distinction affects:

- Corporate financial reporting requirements;
- The number of directors that are required;
- The dispersal of assets upon liquidation; and
- Whether it may have a unanimous member agreement.

The New Act has been enacted, but will only become operative once its regulations, forms and fees are approved. While we do not know for certain when that will be, the consensus is that the regulations will be approved by mid-2011. The actual date when the New Act comes into force is important because corporations under the Old Act will then have three years to continue under the New Act. Continuing under the New Act will involve the submission of articles and bylaws to Corporations Canada.

Importantly, most corporations will want to undertake a bylaw review so that they can “opt out” of parts of the statutory regime where allowed by the New Act. Corporations which do not file the appropriate documentation within the three year time limit are subject to dissolution. And, for those corporations which are also registered charities, this may also result in deregistration.

Once a corporation begins operating there is, in addition to an annual return, the requirement to inform the government of a change in registered office address, a change in directors or a change in a particular director’s address within 15 days of the change.

\*This article is intended as an overview of the law. Certain terms and definitions have been simplified from their legal definition. ■

**Adam Aptowitzer** is a partner with *Drache Aptowitzer LLP*.

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**You must put the interests of your readers first.**

**Who are they? What do they want to know?**

**What kind of information will be most important to them?**



title and status don't matter here. If you're skilful, you can engage my attention, but you cannot compel it.

Therefore, you must put the interests of your readers first. Who are they? What do they want to know? What kind of information will be most important to them? These things must be your focus.

Value the reader's time. Keep your communication as brief as possible. Where appropriate, provide an option to get more detailed information.

Second, start with the conclusion. What's the big idea?

What single, powerful idea are you trying to express? Put it first.

This is quite likely the opposite of what you were taught in school. You were taught to begin with an overview of your topic; then explore various aspects of it, compiling evidence

**These things must be your focus.**

along the way; then, finally, come to a conclusion.

Forget school. Start with the conclusion. In fact, consider making it the title of your report, or the subject line of your e-mail.

Putting both these ideas into practice, consider these two possible alternatives as titles or subject lines for a piece of analysis: "Report and Recommendations Based on Fiscal 09-10 Review of Accounts Payable Practices;" or "How three simple changes can save us \$150,000 a year."

Which one would you read first? ■

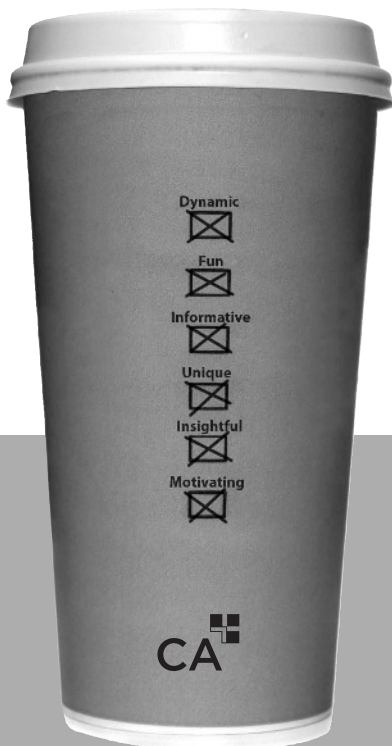
*Douglas Tindal is a Toronto-based communications consultant.*

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It is up to the plan sponsor to understand what this means to them and mitigate their own plan risks.

Some key steps in de-risking your benefits program include developing a decision making framework. De-risking your benefits program is not a one-time event. It needs to be embedded into the ongoing benefits management activities of the organization. Here are a few simple steps to follow.

**Documentation review** — Pull all the documentation related to your benefits program together and assess what you have today. Identify inconsistencies and vague descriptions that could lead to unintended promises.

**Funding review** — On a regular basis, plan sponsors should review the basis on which their plans are funded or

underwritten. Self-insurance of certain benefit obligations may have been a good option five years ago – it may be less attractive today. The underwriting basis of the benefits program needs to reflect the risk tolerance of the organization together with the ability to pay unexpected costs.


**Articulate roles & responsibilities** — There are a number of individuals involved in the appropriate management of a benefits program. These roles need to be clearly articulated together with their accountabilities.

**Administration review** — Well-defined administrative processes and HR effectiveness reviews can help to reduce these errors. If it is a resourcing issue, there are alternatives available.

**Reporting and monitoring** — An organization needs to answer the question – how are we doing in managing the risks inherent in our benefits program? This involves the establishment of a formal reporting process and the regular review of all stakeholders involved in the delivery on the benefits promise to employees.


There will always be risks related to the provision of employee benefits. However, a well designed, well funded and an appropriately managed benefits program can significantly reduce these risks and maximize a plan sponsor's return on investment. ■

*Brian Lindenberg is a senior partner with Mercer. This article first appeared in Benefits Canada magazine in October 2010.*



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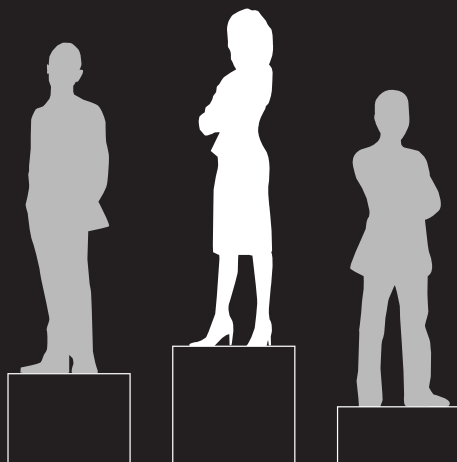
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**Bernard Marr** is chief executive of the Advanced Performance Institute. The preceding article is based on a Management Accounting Guideline (MAG)®.



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# Licious Living

## Katie Rodgers, CMA, and her healthy career move

By Arda Ocal

### WHEN KATIE RODGERS, CMA, TALKS ABOUT

applying the 80/20 rule into her daily routine, she's not exactly referring to Pareto's Principle.

"I wasn't much of a healthy eater before I came into this industry," she says. "I'm still a cheater, but I prefer the 80/20 rule. Eat well 80 per cent of the time and allow 20 per cent for fun."

Rodgers, never gave much food for thought into making food a part of her life – even as a university student when she worked as a camp cook over the summer months for tree planters.

During her first year in the CMA Strategic Leadership Program™, Rodgers performed marketing duties for computational chemistry software. She later joined the company, known at the time as The Specialty Gourmet, during her final year in the (SLP).

Her biggest challenge so far? Partnership issues, a 25 per cent drop in sales and opening a new store one month before the recession hit. Rodgers and her team worked together to keep their sales rolling. She credits her ability to wear multiple hats to help steer the company through the recession.

"We launched a new store, focused on rebranding, and then our revenue started to decline. We were working off the revenue from our meal delivery service at the time which was pretty good. We were going to be meeting our sales targets for that year and then the decline hit. We had already gone halfway into opening up our own kitchen; we opened a new store and launched a new brand that we no longer had the money to back up."

The greatest lesson Rodgers learned is "cash is king." ■

Arda Ocal is a Toronto-based freelance writer.

Photograph: Erich Saide Photography

**Employer:** Licious Living

**Role:** Co-owner

**Most valuable piece of advice:**

Her mother told her to "Be careful where you drop (location wise)." Rodgers moved to Vancouver after receiving a phone call from a friend who needed help with a small business. She eventually fell in love with the city.



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