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Every year, organizations have a chance to influence the House of Commons

Standing Committee on Finance and what gets woven into the federal budget.

For the past few years, CMA Canada has been invited to make a presentation. The message has been consistent. “Innovation, competitiveness, creativity: that drives productivity,” says Richard Monk, FCMA, C.Dir., CMC, CMA Canada’s Adviser for National Affairs. “The overarching theme is creating a better standard of living for all Canadians.”

This issue of CMA magazine is a tribute to those values. There’s lots to say about innovation, which has more than 400 million Google hits and is considered a raison d’être for runaway success. But what warrants underscoring is that innovation is not the wild and crazy, let-it-loose concept that often comes to mind.

“Paradoxically, innovation — that seemingly chaotic, unpredictable swirl of creativity — flourishes best within a solid framework,” writes Graham F. Scott in “Weirdos Welcome” (p. 29).

That thinking lies behind every article in our feature package, from Kirby Wright’s “Purposeful Change” (p. 33) to John Lorinc’s “Why Canadian Companies Don’t Do R & D” (p. 36). Scott’s observation is also what helped our designers gel the concepts for the inside imagery and cover.

Other frameworks we examine in this issue include Richard Fontaine’s five-page “CMA Competency Map Simplified” (p. 23) and the Unification Framework for the proposed CMA, CA and CGA merger (p. 10), released earlier this year.

We’re also thrilled to have caught up with economic historian Niall Ferguson (p. 12) who chats about fixing the Western economy. And if you’re struggling to keep up with a technology that’s gone from breakthrough to breakdown, read Jennifer Campbell’s article on email (p. 20).

Finally, give innovation some thought. What gets in the way? My favourite response heard in an innovation workshop I attended: “It’s what you don’t know that you don’t know. That’s the domain of innovation.”

Enjoy the read!

Mara Gulens
Director, Publications/Editor-in-Chief
mgulens@cma-canada.org
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Discussions, discussions everywhere

Conversations don’t just happen around the water cooler and by email anymore. They also happen online, so we’re publishing some posts from LinkedIn. (Go to www.LinkedIn.com and search Groups for “CMA” or “Certified Management Accountants.”) It’s a great place to network and share ideas.

Deidre McMurdy’s “Going Forward: Uniting Canada’s Accounting Profession” (Nov./Dec. 2011) is long overdue. Our current fragmentation severely limits the career prospects of members in a global village. CMAs can find a comfortable career within Canada, but when they leave they’ll find that the CMA designation is an insignificant force. The only chance of surviving and not being marginalized is to merge within Canada and then rationalize and expand all MRAs (Mutual Recognition Agreements).

— Dr. Eric Fok, CMA
Hong Kong

What do you think?
In my view, corporate social responsibility (CSR) should be
a) implemented at all levels by all companies
b) only a concern for large manufacturers
c) not bothered with because the term will disappear in three years
d) discussed at the ownership/board level; it’s not my concern

Let us know at www.cmamagazine.ca.

Deidre McMurdy’s “Going Forward: Uniting Canada’s Accounting Profession” (Nov./Dec. 2011) is long overdue. Our current fragmentation severely limits the career prospects of members in a global village. CMAs can find a comfortable career within Canada, but when they leave they’ll find that the CMA designation is an insignificant force. The only chance of surviving and not being marginalized is to merge within Canada and then rationalize and expand all MRAs (Mutual Recognition Agreements).

— Josh Bazin, CMA, Edmonton, Alta.

Making the cultural leap is an individual journey, and it’s easy to make when opportunities are available for IEPs to remain in their profession. When IEPs are secure, change occurs spontaneously and incrementally through interaction.

— Nayan Thaker, CMA, Kanata, Ont.

Excellent article (“Nimble Strategy: Managing and Rewarding Strategic Success,” Nov./Dec. 2011) by Brett Knowles on applying strategy. The article has easy-to-understand examples and makes the whole process simple.

— Terry Moschopedis, CMA, Calgary, Alta.

CMA magazine

A hard day’s work

CMAs have a diverse set of skills and our most recent survey bears this out. We asked how you spend your day, and this is what you said:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management accounting</td>
<td>23.9%</td>
</tr>
<tr>
<td>Financial accounting</td>
<td>27.6%</td>
</tr>
<tr>
<td>Non-accounting work</td>
<td>48.5%</td>
</tr>
</tbody>
</table>

Here’s a sample of the comments we received:

> “My time is split between management work, and management and financial accounting.”
> “I mostly manage people and meet with clients.”
> “As a CEO in a non-profit, I don’t do much accounting work, but my CMA training is useful in developing strategy for negotiations, etc.”
> “I use and interpret financial and management accounting for strategy formulation and decision making.”
Everyone appreciates quality

Make sure your firm has the tools to implement an effective quality control system

CICA’s Quality Assurance Manual is a comprehensive resource designed to help firms comply with the Canadian quality control standards and develop and document their own policy manuals and systems of control. It includes sample Quality Assurance Manuals, commentary and guidance on quality control objectives, plus Word files for customizing the sample manuals and practice aids – engagement letters, forms and worksheets.

*Updated to address the changes to CSQC 1 and CAS 220!*

Visit: CAstore.ca/QAM-CMA
New and relevant

PRODUCT REVIEW

**Numbers in the clouds**

Simply Accounting, one of the most popular accounting packages for small businesses, recently introduced some improvements.

- The program is now available in the cloud, allowing both accountants and clients simultaneous access.
- Several inefficiencies have been addressed. The new payroll module includes a more user-friendly interface and customization for Quebec.
- Through Simply Accounting Intelligence, users can create more detailed graphical reports.

While this version is much better, there is still room for improvement. These areas are still lacking:

- Invoices can be emailed to only one recipient at a time.
- Businesses using Microsoft’s Live Mail cannot email invoices directly from the software; invoices must be printed as a PDF and then attached to an email.
- Producing income statements in an "income before taxes" format is not easy.
- Invoices and purchase transactions cannot be saved temporarily in draft mode.

See www.simplyaccounting.com. — K.B.

SUSTAINABILITY

**The royal touch**

Members of CMA Canada were among 200 delegates attending the Prince of Wales’s Accounting for Sustainability (A4S) Forum in England in December. The forum discussed how the global economy needs to evolve to meet the challenges of the sustainability revolution.

“It is generally acknowledged that natural capital provides tremendous value to society; however, determining a calculated value is a challenge,” says Todd Scaletta, vice-president of Research and Innovation at CMA Canada. He attended the event with Shawn Burns, CMA, president and CEO of Carbon Credit Corp.

Scaletta says CMA Canada is working with A4S and IFAC’s Professional Accountants in Business committee to develop case studies to help professional accountants understand the value of natural capital.

A4S Forum presentations are available through the A4S Media Centre. Visit www.accountingforsustainability.org/media-centre. — M.G.

LEADING EDGE

**Canada’s most influential brands**

Apple is the number one leading-edge brand in Canada. Apple leads in innovation, originality and the way it changes the consumer landscape, according to more than one thousand Canadian adults surveyed online by Ipsos Reid.

“It’s been amazing to see what Apple has accomplished over the past decade through the introduction of innovative and iconic products,” said Steve Levy, president of Ipsos Reid. According to the survey, the following companies are the 10 most leading-edge brands in Canada:

1. Apple
2. Google
3. Ikea
4. Microsoft
5. Cirque de Soleil
6. Coca-Cola
7. President’s Choice
8. Tim Hortons
9. YouTube
10. Sony

Other factors that make up brand influence include trustworthiness, relevance, presence, corporate citizenship and engagement. — A.C.

LICENSING

**Go public**

CMAs in Ontario may now get licensed to practise public accounting.

In January, CMA Ontario was approved as an Authorized Designated Body by the Public Accountants Council for the Province of Ontario.

“Licenced CMAs will now be authorized to perform all public accounting services including issuing audit reports,” says Merv Hillier, MBA, FCMA, C.Dir, CMC, president and chief executive officer of CMA Ontario. — M.G.

SALARIES

**Dare to ask**

You may be in luck if you’re about to negotiate a salary. More than one-third (38 per cent) of 1,600 chief financial officers interviewed by Robert Half International said they’re more willing to negotiate salaries with top candidates than they were a year ago.

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Much more willing</td>
<td>11%</td>
</tr>
<tr>
<td>Somewhat more willing</td>
<td>27%</td>
</tr>
<tr>
<td>No change</td>
<td>54%</td>
</tr>
<tr>
<td>Somewhat less willing</td>
<td>4%</td>
</tr>
<tr>
<td>Much less willing</td>
<td>1%</td>
</tr>
<tr>
<td>Question doesn’t apply/not hiring</td>
<td>3%</td>
</tr>
</tbody>
</table>

That said, the program remains one of the most practical and powerful tools for accountants and small business owners.

— M.G.
BOOK REVIEW

Be credible

Credible leaders are the most successful, according to *Credibility: How Leaders Gain and Lose It; Why People Demand It*. Based on more than 15 years of research in various countries, the book stresses the important role of organizational beliefs, values and culture.

According to authors Kouzes and Posner, leaders become credible by

- recognizing their values and using them to guide decisions and actions;
- getting to know employees and their values;
- establishing shared values by integrating diverse viewpoints through the use of principles instead of positions;
- supporting lifelong learning;
- demonstrating a personal commitment to shared values; and
- establishing an environment that is inspiring, uplifting and energetic.

*Credibility* is insightful. At one point, the authors warn about swashbuckling and over-confident leaders who deceive. In another part, they point to the importance of building trust and offer up questions about how other people see a leader.

*Credibility* is contemporary, containing many examples of hi-tech companies that are engaging employees. And it’s dynamic. The book closes by pointing to the necessity of change in response to the external political, economic and social world.

Authors: James M. Kouzes and Barry A. Posner
Publisher: Jossey-Bass
Reviewer: Patrick Buckley, CMA, PhD

BOOK REVIEW

Start-up right

Should you launch a new company to transform a new idea into a product or service?

*From Idea to Success* by Fairbrothers and Winter of the Dartmouth Entrepreneurial Network at Tuck School of Business provides great answers to that question.

The book thoroughly describes the start-up experience from preliminary situational analysis to the birth of a new company and its management. The book’s utility is enhanced by the inclusion of thought-provoking questions at the end of each chapter and many short tales written by the founders of entrepreneurial enterprises.

Fairbrothers and Winter emphasize the human side of start-ups. Some people are natural entrepreneurs, and many people who work in administration can learn to be entrepreneurial.

Thriving start-ups tend to be led by entrepreneurs who have resilience, tolerance for risk and a willingness to learn. They hire employees who are similarly entrepreneurial and understand that their choice of partners is important because the split-up rate for new ventures is greater than the divorce rate for married couples.

Start-ups will be better equipped to cross the market chasm if they follow the advice in *From Idea to Success*.

Authors: Gregg E. Fairbrothers and Tessa M. Winter
Publisher: McGraw-Hill
Reviewer: Patrick Buckley, CMA, PhD

MANAGEMENT

Boys in the boardroom

Are there too many suits and not enough skirts in today’s C-suite? A recent report by the Conference Board of Canada shows the proportion of women in senior management jobs declined from 1997 to 2009.

“Increasing women’s representation at the senior level is not simply a matter of justice or fairness,” says Anne Golden, the Conference Board’s president and CEO. “Companies that fail to integrate women’s perspectives into their high-level decision making risk losing market share, competitive advantage and profits.”

On April 19, Golden will moderate a panel titled “Women in Senior Management: Where Are They?” as part of CMA Ontario’s Women Leaders in Business Symposium in Toronto.

Other sessions will cover the unwritten rules of advancement, mastering change and leading with purpose. Dr. Samantha Nutt, the Rt. Hon. Michaëlle Jean, Lori Wilson and Beata Caranci will speak. Humorist Meg Soper and Food Network host Anna Olsen will put inspiration on the mealtime menu.

Register at www.pdi-cma.com/women-in-business. — J.D.
MERGER

_Unification Framework released_

In January, Canada’s three accounting bodies presented members with a framework to unify the Canadian accounting profession. By now, all CMA Canada members outside Quebec* should have received the _Unification Framework_ brochure, as well as an email and links to the electronic version.

The proposed framework to unite the Canadian accounting profession follows an extensive consultation period that involved members, students, governments, regulators, employers, and the business and academic communities. The framework was distributed by CMA Canada, the Canadian Institute of Chartered Accountants (CICA) and the Certified General Accountants of Canada (CGA-Canada).

“In a global business world, it makes sense for Canada’s accounting profession to unite and bring together a unique combination of expertise to give us a stronger, more influential voice,” says Joy Thomas, MBA, FCMA, C.Dir., president and CEO, CMA Canada. “Internationally, other accounting bodies are coming to grips with globalization and we cannot stand in isolation.”

**WHAT CAN YOU DO?**

To read the documents and stay informed about the future of your designation, bookmark www.CPACanada.ca.

*Review the Unification Framework.*

It is a critical document about the future of the Canadian accounting profession. It outlines the path for the creation of a new designation — Chartered Professional Accountant (CPA) — and a new common certification program.

• To review the Unification Framework, go to www.CPACanada.ca and click the “Unification Framework” tab.

*Review the CPA Certification Program document.*

The new CPA organization would establish a CPA Certification Program that draws on the strengths of all existing programs and maintains the highest professional standards. The strength of this new program would allow the merged organization to maintain existing and establish new Mutual Recognition Agreements with the leading accounting bodies around the world.

• To read about the proposed program, go to www.CPACanada.ca and click the “Key Documents” tab.

*Stay engaged.*

Canada’s national accounting bodies have circulated the _Unification Framework_ as a means to engage members, governments, regulators and other important stakeholders. Because the Canadian accounting profession is provincially regulated, any subsequent merger proposals and related decision-making processes will be determined provincially.

• For information about merger activities and town hall meetings, visit your provincial society’s website, or go to www.CPACanada.ca and click the “Provincial and Regional” tab.

— M.G.

* At the invitation of their government, the three bodies in Quebec have already agreed to merge under the Chartered Professional Accountant designation.

**UNIFICATION FRAMEWORK:**

**FOUR BASIC OBJECTIVES**

1. **To best position** the profession to protect the public through the provision of a common certification program and a single set of high ethical and practice standards

2. **To enhance and protect** the value of the designation in an increasingly competitive and global environment

3. **To contribute** to the sustainability and prosperity of the Canadian accounting profession

4. **To govern** the accounting profession in an effective and efficient manner

---

Noteworthy is compiled by Karine Benzacar, CMA, Patrick Buckley, CMA, Andrea Civichino, Jennifer Dawson, Mara Gulens and Cindy Ruocco.
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Economic historian Niall Ferguson talks about fixing the Western economy
By Gabrielle Bauer

Q: Is there anything in your new book [Civilization: The West and the Rest] that might be of particular relevance to Canadians?

A: The book’s arguments about what made the West successful are certainly relevant to Canada. The country is sitting pretty with natural resources, but has challenges in the area of financial management and work ethic.

Q: Has there been a historical precedent to the banking crisis, and what might it teach us?

A: The precedent happened in 1931 when the European credit structure collapsed. The lesson is don’t go there. The politicians [in Europe] don’t seem to have a good grasp of their financial institutions’ historical roots. The possibility of large-scale bank failure in Europe is very real right now.

Q: What’s your fix for solving the European debt crisis?

A: The European Central Bank has to step in to prevent further deterioration of bond prices. There needs to be a way to pool resources so that individual members of the [European] Union can run large deficits without threatening the collapse of the whole thing. The productive core of Germany would have to transfer resources to peripherals like Greece just as Texas transfers resources to Michigan, but this isn’t happening.

Q: How much government interference in business development do you consider appropriate?

A: We have to be careful not to generate too much bureaucracy. People need accountants to figure out their taxes, which I consider indefensible; the legal paperwork required to set up a small business in the U.S. is appalling. We have to get back to the basics and frame our systems around this question: how can we improve the life of the entrepreneur? It’s the backbone of the North American model and we’ve lost track of it.

Q: What do you think about the push to conduct all business in an environmentally friendly way?

A: It would be reckless to rule out the danger of climate change arising from man-made industry, but let’s not pretend this is the only problem the world is facing. Nuclear proliferation is a far more immediate threat. Also, it makes no sense for some countries to be environmentally virtuous while others continue to burn coal with abandon. We need globally binding standards and agreements.

Q: How do you view Canada’s investment in the multicultural story?

A: I take the view that all cultures are equal, but the institutions that support them are not. If you told me that the proponents of sharia law have an equal right to their position in our society, I would say certainly not. We have to draw the line somewhere.

Q: You’ve talked about the poor state of history education. What could make it better?

A: While arguably better than memorizing lists, our current “separate spheres” approach leaves young people with a fragmented view of history. We need the overarching chronological framework — the world-history view. If I can create a six-part TV series spanning 600 years, surely high schools can deliver the goods in four years.

Q: Why do you think your Wall Street Journal article looking at the world in 2021 went viral, so to speak?

A: I wrote the piece partly tongue in cheek, but some of my points were serious and probably resonated with people. I think it’s unlikely that the European Union will still exist or that the Arab Spring will produce democratic societies within the next 10 years.

Widely regarded as one of the world’s pre-eminent historians, Niall Ferguson is a Laurence A. Tisch professor of history at Harvard University, a senior fellow at Stanford University’s Hoover Institution and a senior research fellow at Oxford University’s Jesus College. Ferguson’s “2021: The New Europe” can be found at www.niallferguson.com. Search for “2021.”
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Payroll Essentials for Accounting & HR Professionals is for accounting and HR professionals who have a functional responsibility to oversee the payroll function but are not processing an actual payroll. It provides an overview of payroll, including processing and reporting requirements and responsibilities related to statutory withholding and remittance.
- March 14 - Montreal, QC
- June 6 - Calgary
- June 7 - Edmonton
- June 8 - Mississauga, ON
- June 20 - Whitehorse, YT
- August 23 - Toronto, ON
- September 28 - Burnaby, BC
- October 4 - Victoria, BC

Special Payments & Completing the ROE is designed to provide a comprehensive overview of the payroll implications of special payments that fall outside of the norm in processing payroll. The program also deals with the intricacies of the correct completion of the Record of Employment (ROE).
- May 30 - Calgary, AB
- June 6 - Nisku/Leduc, AB
- June 7 - Pointe-Claire, QC
- June 7 - Red Deer, AB
- June 7 - Saskatoon, SK
- June 7 - Quebec, QC (in French)
- June 8 - Lethbridge, AB
- June 14 - Regina, SK
- June 14 - Edmonton, AB
- June 14 - Vancouver, BC
- June 15 - Montreal, QC (in French)
- June 21 - Toronto, ON
- June 21 - Whitehorse, YT
- June 22 - Halifax, NS
- August 10 - Mississauga, ON
- October 12 - Burlington, ON
- October 19 - Winnipeg, MB

Taxable Benefits & Allowances is a comprehensive overview of the payroll implications for a full range of taxable and non-taxable benefits and allowances. The program provides legislative details on a number of common benefits and allowances, statutory withholding treatment, and year-end reporting requirements.
- March 15 - Winnipeg, MB
- March 15 - Montreal, QC (in French)
- March 16 - Brandon, MB
- March 21 - Pointe-Claire, QC
- March 29 - Regina, SK
- April 13 - Mississauga, ON
- April 19 - Burlington, ON
- April 19 - Quebec, QC (in French)
- May 3 - St. John’s, NL
- May 3 - Swift Current, SK
- May 9 - Brossard, QC (in French)
- May 11 - Prince George, BC
- May 16 - Yellowknife, NT
- May 17 - Fort McMurray, AB
- June 15 - Markham, ON
- August 23 - Edmonton, AB
- August 24 - Calgary, AB
- September 28 - London, ON
- October 18 - Burnaby, BC
- October 18 - Burnaby, BC

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1-888-729-7652 or 416-487-3380 ext. 118
Assess your risk
Integrating strategy maps

Identify your organizational risks

By Norman Sheehan, CMA

IN PART 1 OF THIS SERIES (see the January/February 2012 issue), we described how to use Kaplan and Norton’s strategy maps to translate an organization’s strategy into a one-page document. This document clearly outlines what financial goals an organization wants to reach and what value it wants to create for its customers; then the document describes how internal processes and human resources will be used to efficiently and effectively deliver this value. Part 2, which is presented here, discusses how managers can use a completed strategy map to identify and assess organizational risks.

Map your risk

Risks are events that will increase an organization’s costs or decrease its revenues and negatively affect financial performance. Since a strategy map describes all the initiatives that a firm must successfully complete if it is to achieve the financial outcomes expected by shareholders, we can also use strategy maps to help identify risks.

There are three types of risk that could prevent an organization from reaching its financial goals. Here’s how customer, internal, and learning and growth risks could affect your organization.

Customer perspective risks

External events can decrease the attractiveness of a firm’s value proposition in the eyes of current and potential consumers. Managers can use two strategy tools to identify external events that could hurt the firm’s revenues.

1. PESTE Framework. PESTE (political, economic, socio-demographic, technological, environmental) risks include changing consumer tastes, shifting demographics, declining consumer spending in economic recessions and restricted access to consumer credit.

2. Porter’s Competitive Forces. Harvard business professor Michael Porter identified five industry-level forces that could threaten a firm’s profitability: the bargaining power of suppliers, the bargaining power of buyers, competition from rivals, substitutes and new entrants.

Process perspective risks

Process perspective risks are events that could prevent a firm from creating the value it promises to deliver to consumers. For example, if the firm promises great customer service, then there’s a risk that employees may fail to consistently deliver that great service. There are four types of process perspective risks: customer, operational, innovation, and regulatory and social risks.

Customer process perspective risks.

These risks include branding and marketing campaigns that fail to deliver the promised results, and a sales force that’s unable to generate new sales leads.

Operational process perspective risks.

These risks are events that increase costs or decrease operational effectiveness. For help in identifying events that could increase operational costs, managers can refer to PESTE and Porter’s competitive forces. PESTE risks include increases in commodity prices, restricted access to credit, increases in interest and foreign exchange rates, new government regulations, and calls to reduce firms’ environmental footprints.

Innovation process perspective risks.

These risks include failures to successfully develop new offerings or continually improve production methods.

Regulatory and social risks.

Regulatory risk stems from employees who knowingly or unknowingly break internal or external rules and regulations. Examples include bribing officials to win sales contracts or knowingly...
breaching health, safety or environmental laws to reduce costs.

Financial-reporting risks also play a role among regulatory risks. A financial-reporting risk occurs when the firm’s financial statements do not accurately reflect the firm’s performance. Financial-reporting risks can stem from the work of unqualified accounting staff or poor internal controls over company assets that lead to misuse by employees.

A key social risk occurs when society begins to question an organization’s right to operate. Social risks can arise if a firm is seen to be polluting the environment, habitually abusing the rights of its domestic or overseas employees, or producing harmful or unhealthy products.

**Learning and growth perspective risks**

The last category of risk involves events that impair one or more of the intangible human, organizational and information resources that the firm relies on to successfully complete its internal processes. Any event that reduces the firm’s knowledge base, destroys its culture or incapacitates the information system that is used to support employee decision making will hurt a firm’s profitability.

**Assessing risks**

Once your organization has mapped out the risks that apply, managers can then rank them according to their financial impact and probability of occurrence, and place each within a risk heat map (see an example on this page). Risks that fall into the orange and purple zones require immediate management attention.

Part 3 of this series will outline a comprehensive management control system and explain how managers can use these controls to reduce the risks in the orange and purple zones.

Norman Sheehan, PhD, CGA, CMA, is an associate professor in the Department of Accounting at the University of Saskatchewan’s Edwards School of Business. This article has been adapted from a brief published by AICPA’s Business, Industry and Government Team.

This article is the second in a series of three. Each part outlines one of the following three risk-based strategy execution steps:

**Part 1** uses Kaplan and Norton’s strategy mapping technique to describe a company’s strategy on one page.

**Part 2** outlines how to use a company’s strategy map to identify and assess key organizational risks.

**Part 3** applies Simons’s Levers of Control, a comprehensive management control framework that managers can use to implement their company’s strategies, to manage key risks, and to discuss the continual monitoring of risks and risk mitigation tactics.

Look for Part 3 in the May/June issue of CMA magazine.
Private Company Growth Creates New Risks

Small to midsize companies encounter new risks as they grow and evolve and their operating environment changes, yet few are prepared.

A recent national Canadian survey by Chubb Insurance reveals that private companies are getting more exposed to changing risks and only one in four has taken action to protect themselves. Growth creates risks in areas such as employment practices liability, employee theft, errors and omissions and Directors & Officers liability. These risks, even when managed through processes and procedures, can lead to allegations that are costly to defend.

Evolving employment standards, growing employee bases, expanding partnerships with customers, suppliers and capital providers create new exposures for private companies. Allegations and potential lawsuits can come from investors, debtors, customers, employees, competitors and regulators.

As an example, the Survey showed an average cost of an employee practices loss of almost $60,000, with one case hitting $1 million. Workplace crime losses can be even greater. One recent private company loss was approximately $2.5 million. These kinds of losses and related legal costs to defend them can stagger a growing company.

For the results of the Chubb Private Company Survey, visit www.privatecompanies.controltheoutcome.ca
Assessing the big data challenge
The business of data analysis and collection

Consider whether your company needs new methods to conquer mountains of data

By Jacob Stoller

IT TRENDS ARE OFTEN PRESENTED by the industry as threats, and what is being dubbed “big data” is a classic example. The sheer volume and complexity of data that organizations are collecting, the argument goes, is overwhelming existing IT systems, and requires the adoption of a new generation of tools. Those who fail to adopt such solutions risk falling behind and putting themselves at a competitive disadvantage.

Nobody would dispute that data stores are growing dramatically. Companies everywhere are seeing increases of 20 per cent annually. IT market intelligence firm IDC reported that in the second quarter of 2011, storage companies shipped 31 per cent more disk capacity than they had shipped in the same period in 2010.

While such growth may seem alarming, it shouldn’t be cause for panic, says Barry Cousins, senior research analyst for Info-Tech Research in London, Ont. “People have run out of capacity for years,” he says. “This is not new.”

Cousins also points out that traditional database tools — such as SQL, Oracle and DB2 — are “rapidly expanding the scope of what they can deal with” and that improvements will help most organizations keep up with their data growth.

Complexity
Big data, however, isn’t just about size. Organizations need to look at the growth drivers and the kinds of data they’re accumulating.

Two factors in particular should be watched carefully. Because data is being collected from more sources (notably smartphones and other wireless devices), systems are seeing more diversity of formats and data types. Furthermore, the collection of this data is automated, making growth difficult to control.

In addition, organizations are seeing a growing proportion of unstructured data, which can be loosely described as data that doesn’t fit neatly into a pre-defined database. For example, when a customer fills in a name and an address on an online form, the information subsequently collected is structured data. If the input is an email or a written paragraph from a Facebook page, the information is unstructured data.

Unstructured data often can’t be analyzed with traditional database tools, yet there’s an increasing interest in it as decision makers look beyond traditional sources to better understand their business environments. “Unstructured data is of more value than it used to be because there are tools that are emerging that help to organize and structure it,” says Ian Anderson, senior manager of Information Management Shared Services at TD Bank.

Tougher questions
Janet Pierce, vice-president of Professional Programs for CMA Ontario, points out that the real driver
Ask three essential questions to determine if big data is the answer.

behind the growth of data is the questions analysts are expected to ask and answer. Questions about “grey area” issues such as pricing are particularly demanding. When is the optimum time for a retail chain to lower its prices? What is the appropriate response to fuel price fluctuations for a shipping company? “It was never easy to answer some of these questions,” says Pierce. “The answer was always ‘it depends.’”

Often, these questions are driven by competitive practices within a particular industry, compelling organizations to collect and analyze more information just to stay in the running. “The banking industry is always trying to understand its customers better by having a deeper knowledge of their preferences and behaviours,” says Anderson.

The real question here is whether the answers that analysts seek from data are worth the cost of a big data solution or, for that matter, any IT solution. “It’s the age-old question: how do you build a business case for an IT investment?” says Pierce. The focus, she suggests, should be on identifying the areas where decision makers are handicapped by a lack of information.

Establish what’s needed
A variety of technologies are being positioned as big data solutions, but the most common solution is software that allows multiple processing and storage devices to work simultaneously to execute large data-crunching chores.

Getting a system like this one working can require substantial upgrades to an organization’s IT infrastructure. Cloud solutions may make this transition easier, but this technology is not for the faint-hearted. Asking three essential questions will help you determine if big data is the answer for your organization.

1. Do you have a big data problem or an IT infrastructure weakness?
Many of the problems that seem to point to a big data solution are just weaknesses in an existing IT infrastructure.

“Make sure you’ve got a big data problem before you start spending time there,” says Cousins. “The strategy is to look inward and get clear on the actual limitations posed by your own data in all areas: storage, processing, moving, analyzing, reporting, backup-restore. I think the majority will find that they’ve just got a classic data problem.”

2. Are you missing critical information that a big data solution will help you capture?
On the analytics side, people should be equally clear about the most critical questions they’re asking, and whether an inability to answer them could spell trouble down the road. The starting point, Pierce suggests, should be industry risk factors such as fraud in the banking industry, oil prices in transportation or price optimization in retail.

3. If you need a big data solution, what are your analytical requirements?
“Anybody who has got an enterprise management system has already done the prioritizing of what the risks are,” says Pierce. “They now need to tie in their analytics requirements with what they’ve determined are the key risks in their organization.”

As with so many IT phenomena, the primary concerns about big data are issues that organizations have been dealing with for some time. Those who have defined their information requirements clearly and are getting access to the data they need from IT have nothing to fear from big data. But those who have fallen behind will face a steeper climb if and when they decide it’s time to catch up.

Jacob Stoller is a Toronto-based writer and researcher.
EMERGING FROM EMAIL HELL
KEEPING THE E-BURDEN IN CHECK

A time-management expert and business coach reveals his system

By Jennifer Campbell

EVER GET CAUGHT IN AN EMAIL vortex? You have a quick peek at your inbox when you get back to the office after lunch and, before you know it, it’s time to go home.

Studies have shown that email usage is declining, thanks to texting, instant messaging and social media sites such as Facebook and LinkedIn. But in the corporate world, email is still king — though it can be a real time sponge. Here are some tips to keep email under control.

Business coach Joshua Zuchter is a productivity expert based in Mississauga, Ont., who’s spent a lot of time figuring out how to manage email. He devised a system that allows users to control their email rather than be controlled by it.

CREATE FOLDERS
To kick off your new system, Zuchter suggests creating four folders within your email program.

1. The first folder is for email messages that you can respond to in less than five minutes.
2. The second folder is for email messages that need more than five minutes for you to compose a response.
3. The third folder is for email messages that require an answer one week after you get them.
4. The final folder is for email messages that have no deadline for a response.

SET LIMITS
Carve out two or three times a day to check your email. You should determine the amount of time you set aside for each session according to how many emailed messages you get. Your first step is to sort them into your folders; then you can address the email in the less-than-five-minute and five-minute-plus folders.

STAY FOCUSED
You want to avoid having to break up the non-email work (i.e., the real accounting work) we all must do. You don’t want to stop what you’re doing to address totally unrelated email, Zuchter says. That takes you away from the task at hand and slows everything down.

Zuchter explains that you’ll be far more productive if you have time to focus on both your email and non-email-related tasks.

“If you’re looking at your email all the time, you aren’t focused on it either, because you’re just trying to deal with it quickly to get back to your work,” he says. “It’s better to focus on one task and then the other.”

BE EFFICIENT
If you’ve worked through the first two folders and still have time allotted to write email, work through the remaining folders in sequence. You may not get to the less urgent messages this time, but that’s okay because you’ll come back to them within one week.

In addition to recommending the daily system, Zuchter suggests setting
Is email dead? The question has been asked lately in surveys. Answers suggest instant messaging and collaborative work systems such as Yammer will outrace good old-fashioned email in the coming years.

At the end of 2011, Atos Origin — one of the world’s largest technology companies with 80,000 employees in 42 countries — declared its intention to phase out the use of email in the workplace within 18 months. The ban, declared CEO Thierry Breton, is rooted in the fact that email wastes too much time.

Not everyone is quite so cut and dried about the demise of email, but the gurus appear to see signs of email decline on the tech stage. For example, Generation Yers don’t use email as much as they use instant messaging. If you want to reach them, try sending a Facebook message or text them.

“Adapting your signature also helps with ‘warmly’ or ‘warm regards,’” he says. “While not banning email, OpenText Corporation — a software company based in Waterloo, Ont. — has developed a file-sharing device that’s widely used by employees, and the company hopes it will cut out some of the necessity for email. The product, called Tempo, allows users to share content with anyone in the company who is using any device: smartphone, iPad, laptop, you name it.”

“[Tempo] creates an opportunity to share info differently,” explains OpenText CTO Eugene Roman, who spoke at CMA Ontario’s BIGiDEAS 2011 conference. “We’re sharing it [information] back and forth without having to email it to each other. You can share with one or many. With outsiders we would create a private zone.”

The idea for the software came from OpenText’s customers who asked for something to ease the burden of email. Roman predicts that email won’t disappear completely, but it will revert to being a messaging tool instead of being a tool for sharing content such as attachments.

Walker agrees, “I don’t see email disappearing; I just see it as less relevant,” he says. “There will be different ways of communicating, and each one will have its own function.”

Last fall, a Robert Half Technology survey — which polled CIOs in more than 270 companies across Canada — bore out those predictions. The survey found that 48 per cent of respondents predicted real-time tools will be more widely used than email.

Smartphones are also driving the change, Walker says. Forty per cent of cellphone owners use smartphones, which often feature full keyboards that make messaging more convenient.

SET DIGITAL RULES
You can cut down email mayhem by automating some of the sorting. Many email programs will allow you to set a rule so certain email messages go into a specific folder.

For example, if you get newsletters that you read on the weekend, put them in the one-week folder. Messages from your boss can immediately go into one of the first two folders. “If someone’s practising these [habits], their inbox should look just fantastic,” Zuchter says.

“Be brief, but friendly,” Zuchter says. You might email a message that’s to the point, but the person reading it might misperceive the message because of its brevity.

So warm it up with your signature. Zuchter suggests customizing your signature instead of selecting a standard sign-off.

“A lot of people have a signature that isn’t always appropriate. I’ve seen harsh email with a friendly sign-off like ‘warmly’ or ‘warm regards,’” he says. Adapting your signature also helps with brief messages. “You don’t need to be too friendly in the email if you are [friendly] in the signature.”
Take good care of your physical and financial health

CMA Canada Life and Health Insurance Program

The cost of routine and preventive health care can add up. And if an accident or serious illness happens, it can affect your lifestyle today – and your plans for the future. That’s why it’s vital to have the right type and amount of health insurance coverage.

Enrol in the CMA Canada Life and Health Insurance Program to get valuable insurance protection from Sun Life Assurance Company of Canada at affordable group rates.

Lower your medical costs with Extended Health Care and Dental Insurance

Extended Health Care and Dental Insurance helps lower your out-of-pocket costs for routine and emergency needs that aren’t covered by government plans, including prescriptions, eyewear and dental care.

The Basic and Enhanced plans available through CMA Canada and Sun Life Assurance Company of Canada give you these important benefits:
- Coverage for your spouse and children
- Continued coverage for surviving spouse and children if you die
- Out-of-province/country protection

The Enhanced plan includes a convenient pay-direct drug card, so there’s need to submit claim forms on eligible prescriptions.

Get added financial security with Critical Illness Insurance

Anyone can be stricken with a serious illness, regardless of age, health or family history. If you’re diagnosed with a covered condition and meet the requirements of a claim, Critical Illness Insurance can help you pay regular household expenses, protect your retirement savings and get the care of your choice.

Critical Illness Insurance offered to CMA Canada members through Sun Life Assurance Company of Canada provides:
- Coverage for 18 critical conditions
- Freedom to spend the benefit payment in any way you choose
- Up to $500,000 of coverage available to both you and your spouse

Save on your protection needs! Critical Illness Insurance rates are now 4% lower in 2012.

Protect your income with Long Term Disability Insurance

If an accident or illness means you can’t work, Long Term Disability Insurance provides a monthly benefit that helps you keep up with your bills, debt repayments and other financial commitments.

If you already have Long Term Disability Insurance, make sure you have enough coverage to meet your current level of income and expenses.

Enrol today!

Call 1-800-669-7921, or 416-408-7390 (GTA).
Ask about low group rates for Term Life and Accidental Death & Dismemberment Insurance.

These are just highlights and do not cover all details of the plans. The terms, conditions, exclusions and limitations governing the plan can be found in the group insurance policy issued by Sun Life Assurance Company of Canada.
The CMA Competency Map simplified

Understanding the CMA framework
Manage your career by using the map to see where you are and where you might like to go
By Richard Fontaine, FCMA

The CMA Competency Map is a tool that helps guide CMAs along their career path. The map is also used to develop pre-admission and professional programs and course outlines. Geared to support the evolution of the profession toward sustainable business practices, the map is built on three pillars and separated into different roles, dimensions and career stages.

With approximately one hundred competencies, the map is complete but could seem daunting. In an effort to help you find your way and bring to light the features of the 2011 revisions, we’ve pulled out key concepts and components. We’ve also provided an example of a fictitious career to help illustrate how the competencies fit into a CMA’s professional journey.
WHEEL OF SUSTAINABLE VALUE

The three pillars — accounting, management and strategy — serve as the basic elements of the CMA competency set. The wheel represents the confluence of these three elements in an area of practice that distinguishes the CMA from other accounting professionals.

The map organizes a CMA’s core skills according to their contribution to the delivery of sustainable value. The competencies are divided into four roles: creating value, enabling value, preserving value and reporting value. These distinctions were adopted in conjunction with IFAC’s (International Federation of Accountants) PAIB (Professional Accountants in Business) Committee documents.

Enabling competencies — such as judgment, communication, leadership, ethics, problem solving and other personal soft skills learned through experience — are distributed throughout the wheel and serve as the core of the competency set that enables an individual to rise to excellence.

THREE PILLARS, FOUR ROLES

CMAs are expected to be competent in three main areas: accounting, management and strategy. These three areas are the pillars of the CMA Competency Map. In both theory and practice, they are also non-hierarchical and interdependent. In fact, the Competency Map states that “balanced integration is fundamental to the strategic management accounting profession.”

Mastering the three high-level competencies is necessary if CMAs wish to continuously add value to their organizations. (In the map, continually adding value is referred to as sustainable value.)

To bring together accounting, management and strategy, the competencies are classified into the four roles in which CMAs work:

- creating value
- enabling value
- preserving value
- reporting value

ENABLING VERSUS FUNCTIONAL COMPETENCIES

CMAs need to demonstrate both enabling and functional competencies in each of the four roles. **Enabling competencies** are the personal (soft) skills common to all four roles:

- problem solving and decision making
- leadership and group dynamics
- professionalism and ethical behaviour
- communication

**Functional competencies** include technical skills and vary depending on the roles. For example, a CMA must be able to create and oversee cost management processes as well as measure and manage organizational performance. (For the complete list, see pages 26 – 27.)

THREE STAGES

All the competencies in the map are presented in three stages, which represent professional progression. **Knowledge acquisition** A prospective CMA candidate is required to obtain competencies prior to admission into the CMA program. **Professional proficiency** A CMA candidate acquires competencies during the CMA program before obtaining his or her CMA designation. **Advanced proficiency** After receiving the CMA designation, a CMA is required to acquire advanced competencies to ensure successful progression to upper management or to achieve mastery in a particular area.

Richard Fontaine, FCMA, PhD, is vice-chair of CMA Canada’s Competency Development Committee and teaches management accounting at the School of Business at the University of Quebec in Montreal. Fontaine has filled high-level management positions in large and small companies across Canada. The author thanks Janet Pierce, vice-president of Professional Programs for CMA Ontario, for her assistance in developing this article.
CASE STUDY

RISING UP THE FOOD CHAIN

To help you understand the CMA Competency Map, we’ll follow the career path of Jennifer, a CMA working at Food Inc., a small Canadian company that manufactures and distributes food products. Jennifer has been recently asked to join an upper-management task force that must decide whether Food Inc. should expand into the United States.

THE CONTEXT

Jennifer has been working at Food Inc. for five years and is now head of finance. Food Inc. has been growing successfully across the country and is present in most Canadian provinces. To ensure its continued expansion, Food Inc. is considering expansion into the United States.

Although Jennifer now works as a CMA in senior management (as a corporate comptroller), she was hired by Food Inc. during her university years as a part-time accounts payable clerk. (In the map, this stage is called knowledge acquisition.) She was admitted into the CMA program and promoted to assistant controller. (In the map, this stage is called advanced proficiency.) Jennifer then got her CMA designation and became the corporate controller for Food Inc., which now requires higher-level competencies. (In the map, this stage is called professional proficiency.)

1. CREATING VALUE

Creating value is a highly strategic role for a CMA. Jennifer needs to be in the boardroom next to other key decision makers to help decide whether Food Inc. should expand into the United States.

Jennifer must understand both the internal and external environments in which Food Inc. is positioned. She also needs to determine if the U.S. expansion corresponds with the corporate mission and vision statements, and has to be able to calculate the estimated return on investment of such an expansion. These skills — which she learned as a student, applied as a candidate and honed in her role as a controller — are examples of enabling competencies (see 1.1.1 – 1.1.4).

2. ENABLING VALUE

Once Food Inc. has decided to go ahead with the U.S. expansion (an example of creating value), the strategic plan needs to be implemented. Jennifer must rely on personal and technical skills to help decide how to accomplish the task. For example, Jennifer would be required to work well with members of the management team, and demonstrate leadership and communication skills to be able to present her points to the others in the boardroom. These are examples of enabling competencies (see 1.1.1 – 1.1.4).

3. PRESERVING VALUE

The company requires internal control systems to ensure the proper transfer of funds from U.S. distribution sources. These examples illustrate how Jennifer would preserve value (see functional competencies 3.2.1 – 3.2.5). Jennifer would also strive to protect the reputation of Food Inc. by guarding against unethical business practices (see enabling competencies 3.1.1 – 3.1.4).

4. REPORTING VALUE

Jennifer’s mandate is to report value to various stakeholders. This essentially traditional accounting function involves both financial and management reporting. Jennifer will report the financial results of the U.S. expansion to different stakeholders: owners, employees and clients (see functional competencies 4.2.1 – 4.2.3). Jennifer would oversee financial reporting policies and set communication policies (see enabling competencies 4.1.1 – 4.1.4).

Once the decision to move into the United States has been made (an example of creating value) and distribution systems have been set up (an example of enabling value), this value must be preserved. Jennifer needs to protect the company against foreign exchange risks, and the company requires internal control systems to ensure the proper transfer of funds from U.S. distribution sources. These examples illustrate how Jennifer would preserve value (see functional competencies 3.2.1 – 3.2.5). Jennifer would also strive to protect the reputation of Food Inc. by guarding against unethical business practices (see enabling competencies 3.1.1 – 3.1.4).
## THE LIST:
### CMA CORE COMPETENCIES
Here are the competencies required for CMA designation. What skills do you need to brush up on? Where do you excel? For details about what each stage requires, see the complete document at www.cma-canada.org/competencymap.

### 1 CREATING VALUE
#### ENABLING COMPETENCIES
- Problem Solving and Decision Making
- Leadership and Group Dynamics
- Professionalism and Ethical Behaviour
- Communication

#### FUNCTIONAL COMPETENCIES
- Mission Statements, Vision Statements and Mandates — defining what the organization aspires to be and how it will deliver sustainable value to shareholders, customers, employees and the surrounding community
  - Mission Statements, Vision Statements and Mandates
- Strategy Formulation — enabling the creation of sustainable value in accordance with mission and vision statements
  - External Environmental Scanning — identifying external circumstances impacting the organization’s ability to meet stated objectives
  - Internal Environmental Scanning — measuring internal capabilities against those required to meet the organization’s stated objectives
  - Organizational Life Cycle — analysis of an organization’s stage of development according to accepted models
  - Industry Best Practices in Strategy Formulation
  - Strategies for Not-for-Profits
  - Corporate Level, Business Level and Functional Level Strategies
  - Value Proposition — definitions
  - Value Proposition — supporting information
  - Analysis of Value Proposition — SWOT analysis to examine the effectiveness of a value proposition
  - Market Analysis — demand, buying patterns, market trends
  - Product Positioning according to Value Proposition
  - Product Life Cycle — analysis of product stages according to accepted models
  - Revenue Goals and Targets
  - Information Technology as a Strategic Asset
  - Types of Business Organization — corporation, partnership, joint venture, income trust
  - Types of Investment — direct investment, outsourcing, strategic alliance, merger, acquisition
  - Mergers and Acquisitions

### 2 ENABLING VALUE
#### ENABLING COMPETENCIES
- Problem Solving and Decision Making
- Leadership and Group Dynamics
- Professionalism and Ethical Behaviour
- Communication

#### FUNCTIONAL COMPETENCIES
- Strategy Implementation — aligning the organization’s resources and success factors to build a sustainable organization
  - Organizational Structure
  - Management Control Systems — policies, codes and guidelines that align operations with strategic objectives and corporate values
  - Best Practices in Strategy — implementation, including strategy mapping and entrepreneurial orientation
  - Data Analysis — analyzing data using spreadsheets, database tools, forecasting tools and reporting tools
  - File and Document Management
  - Managing Information Technology (IT)
  - Technology Acquisition — options such as software licensing, equipment leasing, outsourcing, software as a service (SAAS)
  - Human Resource (HR) Management
- Cost Management — ensuring the effective and efficient use of organizational resources through the application of appropriate tools and systems
  - Cost Classification — fixed/variable, direct/indirect and discretionary
  - Operational Costs — cost of goods sold, cost of capacity and other costs related to ongoing expense
  - Costing Systems — methods such as activity-based costing, process costing, joint cost allocation, departmental costing and job costing
  - Strategic Cost Management Techniques
- Planning/Budgeting/Forecasting
  - Operational and Program Budgets — including cash, capital and operating
  - Budget Information Sources — including sales forecasts, interest rates, currency rates and industry statistics
  - Cost Analysis Methods — break-even, linear programming, decision under uncertainty, sensitivity and contribution margin
  - Budget Variances
• Revenue Management — managing the revenue stream, using internal and external sources of information in order to achieve the organization’s chosen value proposition
  ➢ Product Mix
  ➢ Supply Chains
  ➢ Pricing Strategies — including value-based pricing, cost-plus pricing, reverse engineering
  ➢ Transfer Pricing
  ➢ Growth Strategies

• Profit and Performance Management
  ➢ Continuous Improvement Methodologies — process tools for maximizing output in relation to costs, including total quality management (TQM), business process management (BPM) and lean
  ➢ Decision Making under Uncertainty — cost-volume-profit (CVP) analysis and sensitivity analysis

• Organizational Performance Measurement
  ➢ Performance Measurement Best Practices
  ➢ Sustainable Profit Maximization and Capacity Management — tools such as linear programming, CM per constraining factor
  ➢ Performance Measurement Technology — spreadsheets, forecasting and database tools, business intelligence applications
  ➢ Organizational Performance — frameworks, including balanced scorecard
  ➢ Responsibility Centres — cost, revenue, profit, investment
  ➢ Non-financial Performance Measurements

• Individual Performance Measurement — using incentive and compensation systems to align individual and organizational goals
  ➢ Management Incentives — bonuses, stock options, perquisites and other benefits
  ➢ Employee Compensation Methods

3 PRESERVING VALUE

ENABLING COMPETENCIES

• Problem Solving and Decision Making
• Leadership and Group Dynamics
• Professionalism and Ethical Behaviour
• Communication

FUNCTIONAL COMPETENCIES

• Internal Control — building and maintaining process mechanisms that ensure the organization meets operational, financial and compliance objectives
  ➢ Process Flow — functional areas such as sales, accounts payable, accounts receivable, treasury, segregation of duties
  ➢ Approvals and Authorizations
  ➢ Control Policies — their relationship to corporate philosophy, leadership styles, organization structures and external environment
  ➢ Control Mechanisms — monitoring systems, environmental assessment, authorizations, notification policies

• Enterprise Risk Management — identifying, assessing and mitigating strategic, operational, financial and ethical risks and threats to sustainability
  ➢ Risk Tolerance
  ➢ Risk Assessment
  ➢ Risk Analysis — using spreadsheets, database tools and forecasting tools to expose and quantify risks
  ➢ Technology-Related Risks — security, privacy, data quality, compatibility, business continuity
  ➢ Intellectual Property Risks
  ➢ Risk Monitoring
  ➢ Risk Mitigation and Response

• Governance — broad oversight of the organization’s operations and strategic plans with regard to compliance, ethics, risk and sustainability
  ➢ Governance Roles and Procedures
  ➢ Reporting Structures
  ➢ Compliance and Ethics
  ➢ Compensation Issues
  ➢ Not-for-Profit Governance
  ➢ Social Responsibility Strategy

• Financial Resource Management — setting financial objectives and managing financial resources
  ➢ Capital Structure — financing of assets
  ➢ Sources of Financing — public, private, debt, equity
  ➢ Capital Structure — tax considerations
  ➢ Valuation of Assets — time value of money, cost of capital and other methods
  ➢ Capital Project Valuation — application of capital budgeting, NPV, IRR, buy versus lease
  ➢ Intangible Assets
  ➢ Business Valuation

• Financial Risk Management
  ➢ Distribution of Profits — dividends, stock repurchase
  ➢ Investment Portfolios and Financial Instruments
  ➢ Working Capital Management

• Professionalism and Ethical Behaviour
  ➢ CMA Code of Conduct and Ethical Behaviour
  ➢ Professionalism

4 REPORTING VALUE

ENABLING COMPETENCIES

• Problem Solving and Decision Making
• Leadership and Group Dynamics
• Professionalism and Ethical Behaviour
• Communication

FUNCTIONAL COMPETENCIES

• Financial Accounting and Statement Preparation
  ➢ Accounting Cycle
  ➢ Balance Sheet
  ➢ Income Statement
  ➢ Retained Earnings Statement
  ➢ Cash Flow Statement
  ➢ Treatment of Specific Accounting Items and Transactions
  ➢ Current Trends and Emerging Issues in Financial Reporting
  ➢ Notes to the Financial Statements
  ➢ Management Discussion and Analysis (MD&A) — describing current assets, leases, benefits, facilities, R & D and other areas
  ➢ Not-for-Profit and Public Sector Financial Reporting
  ➢ Role of the External Auditor

• Financial Analysis — evaluating performance and risk by using benchmarks, ratios, and trend and comparative analysis
  ➢ Conceptual Framework
  ➢ Revenue and Grant Recognition
  ➢ Ratio Analysis and Industry Benchmarking
  ➢ Horizontal/Vertical Analysis and Industry Benchmarking
  ➢ Accounting Software — standard applications
  ➢ Profitability Reporting

• Corporate Tax

CMA MAGAZINE  March/April 2012  27
INNOVATION ISSUE
Whenever we talk about innovators, we talk about risk.” The Tipping Point author Malcolm Gladwell was standing on a raised stage before a hotel ballroom full of CMAs assembled for CMA Ontario’s BIGiDEAS 2011 conference, giving his keynote address on what, exactly, innovation really is.

“We think innovators are risk takers, that they take risks that others won’t,” he continued. “But, in a crucial way, that isn’t true.”

Gladwell went on to tell the story of IKEA founder Ingvar Krampad. Krampad’s first world-changing idea was to drastically slash production costs by making the customer do the most expensive part: assembling the furniture. In his native Sweden, with its heritage of high craftsmanship, this was heresy, but it allowed IKEA to offer the cheapest furniture going. Later, looking for more cost savings, Krampad moved much of IKEA’s production to Poland, where labour cost 75 per cent less. The math was undeniable, but it meant that Krampad — one of the most successful capitalists of the 20th century — was going to move the bulk of his operation to what was then a communist country.

So, what were the risks that Krampad took? From an operational standpoint, Gladwell said, the risk was zero: both moves produced huge cost savings from day one. But the social risk — overturning centuries of tradition about how, where, and by whom Swedish furniture got made — was off the charts.

“That is the risk profile seen in many entrepreneurs and innovators,” Gladwell said. “Operationally risk-averse, but willing to take social risks — to be outcasts and weirdos.” Spotting opportunities is hard enough, he said, but risking the ridicule of our peers is “the hardest thing of all. Humans are hard-wired to want social approval.”

For innovation to flourish, Gladwell concluded, “We need to create environments where it’s possible to take risks — to be weird.”

**CAPTURE THE SPARK**

Easier said than done, of course. Today’s businesses know that innovation is important — to increase productivity, pry open new markets, increase revenue, thwart competitors and more — but where to begin? Innovation seems like such a mysterious force, hard to define, and even harder to capture and harness. Luckily, you don’t have to be Ingvar Krampad to start fostering a more innovative workplace or to develop new habits that can help you and your team work smarter.

“Each and every one of us has an area of our life we can bring innovation to,” says Taimour Zaman, president of consulting firm Access Group, one of three co-founders of One Million Acts of Innovation, an online network to help professionals, students and civil servants share innovative ideas and experiences. The group’s goal is to collect a million examples of the ways teams and individuals are putting innovation to work in their work, to inspire others and improve the global competitiveness of Canadian companies.

“It’s about the power of connections,” says Ted Maulucci, chief information officer of Tridel and another co-founder of the One Million Acts project. “Innovation can come from setting two people with different experiences together to talk.” That conversation often sparks novel insights that produce innovative ideas down the road.

It also provides a few starting points for managers looking to foster innovation, Maulucci and Zaman say. A diverse team, comprised of people with different professional and life
experiences, is more likely to generate such sparks, so keeping that in mind at the hiring stage matters. And offering opportunities for professional development (such as encouraging employees to take classes in new skills, or secondments to other departments) can produce a steady flow of new ideas that make innovation more likely.

Change can be hard, of course. Being open to new viewpoints and new ideas naturally means being open to critiquing the status quo. It also means trying new things, and failing at them. Resentment and defensiveness are easy traps for groups to fall into in such situations. And there are practical considerations too: sometimes, highly technical tasks require a focused, more homogeneous team and granting time off for training or an exchange can leave teams temporarily shorthanded.

“It needs to be recognized that, if you go on an exchange, you can come back without a penalty to your career,” says Tom Lawrence, director of the CMA Centre for Strategic Change and Performance Management at Simon Fraser University’s Beedie School of Business. The important thing for managers to remember is that innovating is an investment in the long term. Even if choices cause a headache today, they can produce dividends later.

**CAPTURE IDEAS**

Such steps may improve the chances of generating innovative ideas, but if you can’t capture them, of course, they can’t be implemented. So the next step is to build a system for harvesting ideas.

ING Direct Canada developed its own system for collecting new ideas and sharing them internally. Orange Spark is an internal web portal where any employee can submit an idea, vote on ideas already in the system and read the company’s internal blog that highlights innovation in the news.

“Each and every one of us has an area of our life we can bring innovation to.”

“Ideas can come from anybody in the organization, anywhere, at any time,” says Brenda Rideout, chief marketing and technology officer at ING Direct. “We provide a portal that allows people to input those ideas with no filter. You can put in any idea you choose, and everybody in the organization can vote on it.” Ideas that bob to the top are then assigned sponsors within the company who are tasked with implementing them. Orange Spark has resulted in dozens of improvements to ING’s operations. Some ideas are small but meaningful. An employee used Orange Spark to suggest changing the design of the banking card from horizontal to vertical, since that’s the way newer chip-based card readers are oriented.

Other ideas are big. When ING was prepping the launch of its new Thrive chequing account in 2011, for instance, an employee proposed a beta program to have a small group of clients test drive the customer experience and iron out the kinks in advance of the national launch. Ten thousand customers tested the service for six months; their feedback was used to tweak things such as the size of the chequebook and the way that the online bill-payment system worked.

All that testing paid off: a consumer survey named Thrive 2011 Product of the Year in the financial services category. Employees are happy too, with 84 per cent of ING workers contributing to Orange Spark in 2011. “From an engagement standpoint, it’s very powerful,” says Rideout.

**IT TAKES A TEAM**

The key lesson, says Tom Lawrence, is that innovation is very seldom the product of one person’s brilliant flash of insight. It’s a team sport.

“The stereotype of individual inventors having eureka moments is a long way from the reality of innovation,” says Lawrence. “Even the most famous inventions associated with individuals — say, Edison and the lightbulb — when you trace [them] back, what you see is whole networks of individuals and groups, working collaboratively and competitively.”

Paradoxically, innovation — that seemingly chaotic, unpredictable swirl of creativity — flourishes best within a solid framework of highly organized communication and collaboration. Only when employees have a reliable, respectful work environment can they feel safe enough to take risks, learn from inevitable failures and be, as Gladwell says, a little weird.

Graham F. Scott is a Toronto-based freelance writer and editor. See www.gfscott.com.
Do you have the stomach for innovation?

A COACH’S VIEW

Look inward so you can step out and lead

By Stephen Shannan

If I read another article about Canada lagging behind in productivity and innovation, I’ll scream. Our unwillingness and inability to innovate is well documented. The statistics have been scrutinized and analyzed, but has that effort made a difference?

The best thing about such conclusions is that they make us more comfortable with not taking action. At least we know we’re not alone. But the stories also create a cloud that obscures our view of reality. If our businesses aren’t innovating, it’s likely that mediocrity reigns. If we’re not improving our productivity, it’s possible we’re heading in the other direction — out of business.

My colleagues and I see a lot of complacency about the future. Some people are so busy patting themselves on the back for getting through the most recent global financial crisis that they haven’t noticed they’re not doing the thinking required to prepare for the next one.

Innovation takes courage, and who can blame the average business manager for being a little timid? Courage doesn’t come with a business degree; it comes from passion and a deep desire to stand out from the crowd.

Canadian businesses are obsessed with benchmarking and “best practices.” But we fail to recognize that chasing such standards only allows us to catch up to the real leaders who have already innovated their way ahead of us.

Understandably, the average manager who is considering an innovation runs it by a committee to ensure it’s a good idea. (Is it a sure-fire win? Will senior management and staff immediately get onside? Is it revenue-neutral and risk-free?)

Invariably, at least one of the answers is negative. It’s a lot safer and more comfortable to invest in another fix to accepted processes, add to a legacy system or tweak the old business model which is probably well past its expiry date.

And that’s at the heart of the real issue: Canada doesn’t really have an innovation problem. Canada, with all of its diversity, is full of creativity and passion. There isn’t a crisis of confidence. Most Canadian business people know we’re better positioned than many other countries in the developed world. There is, however, a crisis of leadership.

Few of the people running the engine of our economy have the courage to lead. Without bold leadership, a willingness to get our heads out of the sand and the readiness to take a stand for the future, Canadian businesses are doomed to stumble into oblivion.

In my work as an executive coach, I have found that strong leaders are defined by the following abilities.

Connections with people
Strong leaders start by asking their employees what they want and need, and are interested in what they say. These leaders are not focused on being interesting, but on being authentically
interested. They know that if they want their employees to innovate, they need to get them engaged. Engagement starts with the manager and employees.

**Interest in clients**

Many business people are too transactional to listen to what their clients need. Sales people are often more interested in making a sale than listening to how they can wow their customers. Strong leaders listen keenly.

**Recognition that innovation requires collaboration**

Strong leaders pay attention to the language used in their organization. Is there a propensity to use “I,” “me” and “my,” or “we,” “us” and “our”? Language informs organizational culture. When “I,” “me” and “my” become “we,” “us” and “our,” there’s more of a drive into the future.

**Willingness to bring forward ideas**

Strong leaders encourage their teams to talk about how to improve the workplace. They then ask their teams to work out how to make initiative and innovation part of the culture, systems, policies and procedures.

**Support and encouragement**

Strong leaders recognize achievement and learning, understand that failures are rich learning opportunities and create environments where failure is not frowned upon.

If you’re interested in more than survival, and if you want your people and your business to thrive, you have to get out of your comfort zone and lead.

A real business leader is nothing more than an ordinary human being who takes a stand for a new future.

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**Stephen Shannan is an executive coach and owner at Coaching for Action Inc.**

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**MAKE A PUBLIC DECLARATION**

Make innovation an explicit goal — in writing. Employees and colleagues need to know that new, risky ideas are welcome. “Make a resolution and tell people about it,” says Taimour Zaman, president of consulting firm Access Group. “When you share it, it grows in your network.”

**BUILD A DIVERSE TEAM**

This principle doesn’t always mean racial or gender diversity (though that’s important too). The goal is to unite people with differing experiences and backgrounds. “More diverse groups are likely to come up with broader, less expected combinations of ideas,” says Tom Lawrence, director of the CMA Centre for Strategic Change and Performance Management at Simon Fraser University’s Beedie School of Business.

**TALK TO STRANGERS**

Connect with other people inside and outside your own field, and don’t worry too much about having a set agenda going in. The point is to get out of your office bubble and learn new things, without needing to know what their utility will be. “Through connection you get innovation,” says Ted Maulucci, chief information officer at Tridel. “It won’t happen sitting in your office.”

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**ORGANIZE A SYSTEM FOR COLLECTING IDEAS**

You need a way for team members to share their ideas so that the all-important cross-pollination can occur. “Having a way to generate ideas is really fundamental if you want to have incremental or evolutionary innovation,” says Brenda Rideout, chief marketing and technology officer at ING Direct. There are software solutions similar to ING’s Orange Spark innovation-sharing online platform available, but the system could be as simple as a suggestion box. Just remember: it only works if you read and discuss what’s submitted.
Purposeful change

FOUR APPROACHES TO SPARK INNOVATION

Manage incremental, positioning, breakthrough or disruptive innovations to drive your organization forward  By Kirby Wright

Innovation: management magazines, think tanks and business commentators say it’s a key ingredient of business success and growth and lament that most companies don’t do enough of it. Policy papers highlight innovation as a key productivity driver but don’t describe how individual companies can innovate more effectively. And whether we’re talking about information technology, research commercialization, the new economy or techniques to introduce new products and services, the word gets thrown around again and again, but often without conveying clearly how managers can make it happen.

For managers, the important message is that there are strategic and operational implications for innovation within an enterprise or, in the case of collaborative efforts, groups of organizations which may be working together in a number of ways. As we think about how we guide innovation in organizations, it’s useful to consider the concept from a different perspective and focus on the capabilities that already exist.

All organizations — whether they’re private, public or not-for-profit — do, in fact, engage in a wide range of change initiatives. The different types of innovation include incremental, positioning, breakthrough and disruptive approaches. It’s important that managers understand how to manage each type to move their organization forward.

IT’S ALL ABOUT CHANGE

Management guru Peter Drucker emphasized that innovation involves a systematic and managed process that requires careful planning and execution. At the same time, most innovation occurs under conditions of uncertainty and ambiguity.

Thinking about innovation as a process of purposeful change alters the discussion. All organizations are constantly involved in a wide range of change activities. These changes can include products, services, processes, strategies, systems or even entire organizations.

On the shop floor or in the office, managers and staff are continually adjusting how work is done, sometimes as ad hoc improvisations and other times in structured and planned ways.

One of the challenges that companies face is being able to move beyond one-off innovation initiatives to create more deeply embedded capacities to systematically and continually pursue innovation opportunities.

Viewing innovation as purposeful change allows managers to acknowledge that innovation is not a mysterious process that only a few leading organizations are involved in. Instead, innovation is something that’s occurring all the time and therefore attainable for all organizations. And it’s essential to recognize that innovation can take different forms and that each requires unique approaches and skill sets.

INNOVATION: THE BIG FOUR

There are four types of innovation and, more importantly, four distinctive managerial strategies to support each type.

Incremental innovation involves making slow and steady improvements to existing products, services or processes. These types of changes occur in all organizations. Whether they’re workarounds to allow staff to perform their work easier or formal processes (which may use techniques such as LEAN or Six Sigma) to improve efficiencies or products or services, incremental innovations involve existing offerings aimed at serving existing customers and user groups.
BUILD YOUR INNOVATION PORTFOLIO

The four different types of innovation provide a foundation for strategic decision making.

In addition to demanding different managerial approaches, different types of innovation involve different types of resources, effort and attention.

While an organization may be able to support multiple incremental innovation initiatives at the same time, it’s much more challenging to simultaneously support more than one breakthrough or disruptive innovation project.

Senior managers must be aware of the different types of innovation being proposed and initiated across the organization. Consider designing an innovation portfolio management system in your organization. This system could include an opportunity pipeline, innovation decision-making processes and innovation project management practices.

These improvements often focus on making something better, easier and cheaper. Clayton Christensen, a leading researcher on innovation at Harvard, calls them incremental innovations because they aim at sustaining market share among current customers.

Managing incremental innovations involves the ability to assess and improve processes. Managers continually scan markets and competitors, gather customer feedback, incorporate front-line feedback into work processes and encourage product teams to continually refine and refresh existing products and services.

Incremental innovation at work: Digital cameras have gone from seven to 10 megapixels and now include handshake reduction and red-eye elimination. While these changes may require new technologies, they only incrementally modify the existing product.

Positioning innovation at work: The Old Spice Man is an example of an online video advertising campaign that drives rapid product growth of a long-established brand.

Breakthrough innovations are purposeful changes that are designed to significantly reframe existing markets and sectors. The goal of these breakthrough initiatives is to achieve order-of-magnitude improvements; they essentially drive a fundamental change within the organization as well as the marketplace. Breakthrough innovations typically involve multiple elements. These types of transformational changes are difficult and risky; success is not guaranteed.

Managing breakthrough innovations requires developing systems to identify and assess ideas, link innovation efforts to strategic management, allocate resources, create structures to support innovation teams and create management control processes to manage projects, mitigate risks and support implementation. Strong leadership support is essential.

Breakthrough innovation at work: When companies such as Nikon, Canon and others introduced and quickly refined breakthrough digital technologies, even serious photographers went digital.

Disruptive innovations extend beyond breakthrough innovations to create new market spaces. Clayton Christensen, the Harvard Business School professor who first identified the concept, noted that certain innovations were disruptive. They were cheaper, simpler, easier to use and aimed at non-consumers. These entrants were ignored by existing market leaders.

Over time, the new disruptors add new features, maintain significantly lower pricing and ultimately challenge entrenched providers. Disruptors succeed through the use of enabling technologies as well as by introducing different business models. These innovations grow to have a substantial impact on the market and, in doing so, can often cause market leaders to stumble and fail.

Managing disruptive innovations requires new mindsets and skills. Disruptions are rare and, given the challenge of developing fundamentally new offerings, are inherently risky. Identifying potential disruptors often appears to be a blend of artistry and craft. Increasingly, organizations are applying design-thinking approaches to develop disruptive innovations. These approaches include gaining a deep understanding of user behaviours and needs, incorporating insights from analogous situations and using rapid prototyping to develop and test new offerings.

Disruptive innovation at work: Amazon got its start by acting as a major disruptor of existing bricks-and-mortar bookstores and continues to dramatically change the retail landscape.

Innovation helps companies grow, respond to change and become more successful. While all companies engage in purposeful change, some are better at it than others, and the ability to successfully engage in the various types of innovation is vital to an organization’s success.

Kirby Wright, PhD, is a trustee of the CMA Canada Research Foundation and president of the Edmonton-based consulting and applied research firm Knowledge Resources. His work focuses on professional learning, knowledge management and organizational innovation.
How much an organization spends on research and development (R & D) has less impact on success than how effectively the organization’s culture and operations support innovation. That’s the finding of Why Culture Is Key, the seventh annual Global Innovation 1000 study by Booz & Company, a U.S.-based global consulting firm. The study investigates the links between companies’ R & D spending and their financial performance.

The survey of almost 600 innovation leaders from large and small companies in every major industry sector worldwide revealed that tight alignment between innovation and overall corporate strategies, combined with a culture that nurtures innovation, is key to superior financial performance.

It also turns out that many organizations struggle in these areas. More than a third (36 per cent) reported a gap between innovation and general strategies, and almost half (47 per cent) said their company’s culture doesn’t support their innovation plans. A fifth (20 per cent) reported not having a well-defined innovation strategy.

Here’s our summary.

**THREE INNOVATION STRATEGIES**

Booz & Company identified three fundamental innovation strategies, and examined the level of alignment between innovation and organizational objectives for each one. Where does your company stand?

**NEED SEEKERS**

Organizations that are Need Seekers include Apple, 3M and GE.

- They actively engage current and potential customers to create new products and services that meet both articulated and unarticulated needs.
- They excel at creating products with a distinct advantage in the market.
- They work to be first in the market with new products and services.
- They communicate innovation agendas throughout the entire organization.
- They are open to new ideas from customers, suppliers, competitors and other industries.

**MARKET READERS**

Organizations that are Market Readers include Samsung, Visteon (an automotive parts maker) and Parker Hannifin (an industrial components manufacturer).

- They closely monitor customers and competitors, but maintain a more cautious approach.
- They focus largely on creating incremental innovations to products and services.
- They create products that are customized to local markets.
- They are usually fast followers to marketplace.
- Their culture fosters collaboration across functions and geographies.

**TECHNOLOGY DRIVERS**

Organizations that are Technology Drivers include Google, Siemens and HP.

- They possess a deep understanding of emerging technologies and trends.
- Their technological capabilities determine the direction of innovation.
- Their R & D investments produce breakthrough innovation and incremental change.
- They often seek to solve unarticulated consumer needs through new technology.
- They focus on developing low-cost products.
Why Canadian companies don’t do R & D

HOW TO FOSTER INNOVATION FROM THE TOP DOWN

The blue ribbon panel’s recommendation: change

By John Lorinc

When Stephen Harper’s Conservative government set out to do a stem-to-stern review of $5 billion in federal R & D expenditure last year, the decision marked the latest official attempt to figure out why a country as rich as Canada does so badly at inventing devices, patenting new processes and profiting from the innovations.

Unlike our trading partners large and small, we’ve long fumbled the R & D agenda. The result is sluggish labour productivity and a sense of vulnerability in research-intensive sectors such as pharmaceuticals and digital technology. Yes, we have Waterloo. But Canada’s business expenditure on R & D is just 1 per cent of GDP, putting us a long way behind the likes of Israel, Finland and Korea.

But what if this problem isn’t just about the usual suspects: abundant natural resources, a branch-plant economy and risk-averse Canadian investors?

As the blue-ribbon panel appointed to do the review discovered during its work, one of the principal culprits is the Scientific Research and Exploration Development tax credit (SR&ED) which delivers some $3.5 billion in indirect incentives to more than 25,000 Canadian firms of all sizes.

The panel’s conclusion: the SR&ED should be scaled back, simplified and made more transparent, so Canadians can be assured that those tax credit dollars are delivering innovation and productivity. The panel also urged the Tories to reinvest any savings from a slimmed down SR&ED in other R & D programs.

Prime Minister Stephen Harper has hinted that he plans to make changes to the SR&ED as part of this spring’s budget. But whether the Tories make intelligent use of the savings, instead of just putting the money back into general revenue, remains to be seen.

INNOVATION CANADA’S REPORT

The report — named Innovation Canada: A Call to Action — delivered what amounted to a scathing indictment of a three-decade-old tax incentive that appears to be in

BOOST YOUR CAPACITY

To convert innovation spending into marketplace results and superior long-term financial performance, your company would do well to create tighter connections between strategy, culture and innovation by doing the following:

• Make sure your innovation strategy is well developed and communicated throughout the organization.
• Align your technical leaders with top management and give them a real seat at the executive table.
• Ensure your innovation agenda translates into a tangible action plan.
• Create a short, focused list of capabilities that will be used to power your innovation plan.


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desperate need of some policy R & D of its own. Among the findings:

- A survey of business owners showed that many felt the SR&ED tax credit did encourage investment in innovation, which is hardly surprising, given that the rebate is equivalent to a 35 per cent subsidy on eligible expenditures. But a large proportion of respondents also disparaged the program as “cumbersome” and sufficiently complex that they needed to hire consultants to do the paperwork. The bottom line: a portion of that $3.5 billion — the report doesn’t guess how much — goes to contingency fees for consultants instead of investments in R & D. The firms surveyed were much happier with the various federal direct investment R & D programs, such as the Industrial Research Assistance Program.

- The study found that despite the large amount of foregone tax revenue, Ottawa didn’t have a clear sense of whether the SR&ED was actually producing a net benefit (i.e., advancing innovation and business R & D in Canada). While the Canada Revenue Agency, which administers the credit, did one economic assessment back in 2007, the panel’s report questioned the conclusions, noting that the assumptions used were subject to “considerable estimation error.”

The panel’s most suggestive discovery, however, had to do with the way other OECD countries balance direct and indirect investments in R & D. The countries that offer the lowest tax subsidy rates (i.e., credits) to businesses — Finland, Sweden and the United States — also tend to have the highest levels of business R & D activity. Conversely, jurisdictions with generous tax credit regimes — Spain, France and Canada — are the laggards in terms of the private sector’s track record on innovation.

The unavoidable conclusion, which will be bracing for a lot of smaller firms, is that tax credits like SR&ED don’t deliver the same kind of strategically focused, results-oriented innovation that direct investments (i.e., grants) do. That message will bump up against certain free market orthodoxies: that entrepreneurs and scientists, not bureaucrats, know best how to drive and commercialize innovation and that the government shouldn’t be in the business of picking winners. Turns out that government officials in innovation-frenzied countries such as Finland and Israel have been picking winners all along.

We should, too. 

John Lorinc is a Toronto journalist who writes regularly about business and politics for The Globe and Mail, The Walrus and other publications.
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Changes at the top
New top-level domains

Million dollar changes are coming to the Internet in 2012

By David Street

TOP-LEVEL INTERNET DOMAIN NAMES may now end with almost any word in any language. Any company that pays the fees and meets the registration requirements may now own and operate its own generic top-level domain (gTLD).

In the future, we’re likely to see Internet-based companies claim gTLDs such as .google and .facebook. Other major brands in more traditional industries are likely to claim .timhortons, .disney, .coke, .ford and .rogers.

This significant development hasn’t received much attention.

The Internet Corporation for Assigned Names and Numbers (ICANN) began accepting applications for new gTLDs in January of this year. ICANN accepted such applications only twice before, in 2000 and 2004, but those changes were small compared with what’s to come.

Widening the scope

A top-level domain is the lettering that appears on the far right of a domain name. An example is the “org” in www.cma-canada.org.

There are currently only 22 recognized gTLDs such as .com, .org and .net. There are also 250 country code top-level domains such as .ca and 30 internationalized domain names that include characters used in foreign languages. Over the next two-to-three years, the number of gTLDs could rise to 10,000.

The process of applying for a new gTLD is nothing like the quick and inexpensive registration of a second-level domain, which is the domain level that typically appears after the www and precedes the top-level domain in a web address such as cma-canada.

In the case of gTLDs, the applicant is applying to establish and operate a registry system that will support the Internet’s domain name system. If successful, the applicant will operate a significant part of Internet infrastructure. The application fee is US$185,000 and the annual renewal fee will be US$25,000. The total costs of applying for and establishing a new gTLD will likely be between US$700,000 and US$1,000,000.

Shortly after the initial application window closes on April 12 of this year, ICANN will publish a list of those who have submitted completed applications together with some information about each application. All organizations that rely on branding, whether they’ve submitted an application or not, and whether they’re big or small, will want to review the list of initial applicants to determine if anyone has applied for a name that includes or closely resembles their brand or trademark.

In cases where there are issues, companies might want to invoke pre-established dispute resolution procedures developed by ICANN but conducted by independent dispute resolution bodies. (Details of these
procedures, the application process and all other aspects of the new gTLD program can be found at www.icann.org.) It’s expected that none of the new gTLDs will be operational before November or December of 2012. Once the initial round of applicants has been dealt with, there will be opportunities to apply for new gTLDs, but no dates have yet been established.

The perks of your own gTLD
For companies that obtain a top-level domain, the exclusive ownership and control will offer many new opportunities for branding and marketing.

These companies will have complete control over the second-level and third-level domains which are those parts of a domain name on the left of the top-level domain. As a result, we may see web addresses such as www.contests.coke or www.rolluptherim.timhortons.

Under existing rules, second-level domains are issued to most gTLDs on a first come, first serve basis. A company that acquires a new gTLD will decide to whom it will issue second- and third-level domains. The owner of .brand, for example, may choose not to issue any second-level or third-level domains to third parties and may use the domains only for its own products.

This new process should prevent cybersquatting and typosquatting by companies that have exploited weaknesses in the existing system by registering second-level domains in the form of a brand or trademark that belongs to others.

For example, under the existing system, the company that registered brand1.ca was at risk to the cybersquatter who registered brand1.com. Under the new system, once a company acquires .brand1 as a new gTLD, the company will decide who gets to use, for example, shirt.brand1, even though the company might not be in the shirt business.

Similarly, a new gTLD should alleviate the need to fight over product names and taglines as part of domain name registrations. Owning your own gTLD may also improve search engine results and direct navigation by consumers to a site.

Establishing a new gTLD could cost as much as US$1,000,000.

ICANN developed the rules for the domain expansion program after several years of consultation, but not everyone is in favour. In the United States, a number of national and international business associations have joined with the Association of National Advertisers to vigorously oppose the rollout of ICANN’s new program. In their view, the cost is excessive, it will be harmful to brand owners, and it will put pressure on brand owners — including businesses, consumers, charities and not-for-profit organizations — to buy and protect new gTLDs and perhaps second-level domains.

ICANN attempted to address such concerns with a robust objection process so that “defensive” gTLD applications are not necessary. ICANN also created new processes for disputes that arise after an application is approved.

Twenty twelve will be remembered as the year that the Internet made a fundamental and historic change. But brand and trademark owners will need to monitor the new gTLDs and be aware of new opportunities and threats. The new top-level domains are sure to shake up the Internet in ways no one can predict.

David Street is a partner at Lerners LLP where he practises business law.
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THE UNIVERSITY OF BRITISH COLUMBIA
Josée Roberge, CMA, is playing in the big leagues

By Jaclyn Law

Josée Roberge knew as early as high school that becoming an accountant was a smart choice. “I wanted to be on top of my own finances, so I needed to find out how.”

Roberge graduated with an accounting degree from HEC Montreal in 1998. Her curiosity about manufacturing — especially product costing — compelled her to go further.

“I wanted to see the action and understand how the full business cycle translates into financial info,” says Roberge, who completed HEC’s two-year CMA program.

For nine years, she worked at Imperial Tobacco Canada, working her way up from analyst to supervisor. Attracted to the growing industry of children’s and family leisure-time products, she joined Hasbro, the world’s leading company in this sector, at its offices in Longueuil, Que., in 2008.

Roberge’s CMA training made for a smooth transition: “The nature of the business doesn’t matter. Accounting and business processes are pretty much the same.” Roberge is responsible for brand profitability planning, including budgets, forecasts, reporting and analysis.

“I work closely with marketing and sales to come up with an optimized product mix. We do item-level P&L’s; there’s a large amount of data to be analyzed. I also work with cost centre owners to estimate expenses, and I’m involved in projects to improve business processes.”

Roberge credits CMA training with helping her stay mindful of non-financial aspects too. “For example, if you’re asked to improve a business process and it’s used by several departments, you need to understand the impact on each one or you’ll end up with a lot of upset people.”

Jaclyn Law is a Toronto-based freelance writer.
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