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Has planning become too complicated?

Taking risks: Essential for change and innovation

Darcy Boyce, BSc (Econ), MBA, CMA,
Minister of State, Ministry of Finance,
Barbados

The big picture

Darcy Boyce's CMA training plays an important role in helping him shape government policies



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Future planning

Organizations today operate in a dynamic environment. They've come to realize the importance of managing risks and their interactions, and not just the familiar ones or the ones that are easy to quantify. Even insignificant risks, the ones we think, 'oh, that will never happen,' have the potential as they interact with other events and conditions to cause damage. Unfortunately, several cases have occurred in the recent past which brings to light the lack of prudence on the part of the management team in managing risk.

In his article, *"The Future: Enterprise risk-based performance management,"* Gary Cokins writes that a simple view of risk is that "more things can happen than will happen." Effective risk management practices recognize and evaluate all potential risks. The goal is less volatility, greater predictability, fewer surprises and the ability to bounce back quickly after a risk event occurs. Risk management therefore is an integral part of managing a business.

Whether it's managing risk or setting personal goals for you or for the organization, it's all about planning for the future. Joseph Toste, CMA, takes a closer look at the role and benefits of planning – how using the right tools and simplifying the process for the entire organization and its employees make goals easier to attain. In his article *"Has planning become too complicated?"* Toste suggests that planning tools used today such as the strategy map, balanced scorecard and traditional budgeting, although valid and useful, are too complicated and cumbersome and leave most of the "worker bees" out of the process. Since these tools are too specialized, only a few people in the organization understand them well enough to actually use them. Toste discusses the use of a Personal Strategic Plan (PSP) — a simple, yet effective method to get the message across to all members of an organization. Each employee's PSP helps to accomplish the overall corporate strategy and provides the ownership and commitment to make it real. Whether it's planning the organization's future or setting goals for your own personal needs, a simple process is the key to stay on course and achieve your goals and objectives.



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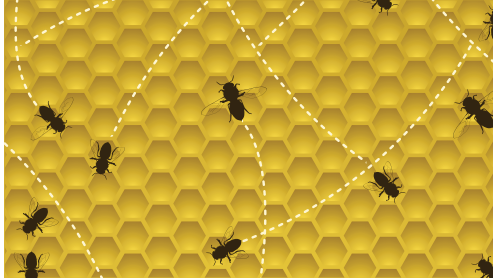
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CMA Management

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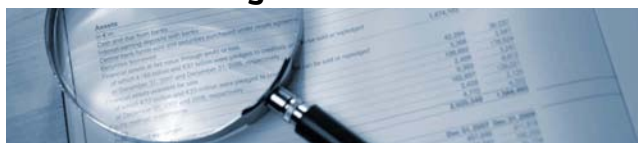
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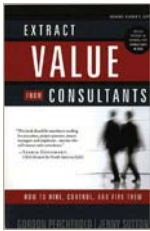
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Extract Value from Consultants



Every year, organizations spend billions of dollars on consulting fees. Consultants are hired to help organizations achieve great levels of performance. Often, these consultants produce overwhelming results for large fees.

International consulting experts Gordon Perchthold and Jenny Sutton, authors of *Extract Value from Consultants*, have observed the evolution of the consulting profession for more than 50 years combined. While working as partners and managing partners at global consulting firms, they frequently found themselves in meetings focused more on internal matters than on client service.

“We sincerely believe the right type of consultants, used for the right reasons, have the potential to provide significant value to organizations in challenging and structuring thinking, overcoming the status quo, and turning ideas into action,” Perchthold says. “Too often, organizations let consultants dictate where, when, and how they will deliver value,” Sutton adds. “In today’s economic climate, it’s time for executives and managers to turn the tables and take control ... from the consultant’s initial sales call to the end of their engagement.”

The book includes themes such as: the value experts bring to your team; how consultants bring money to a business; how to hire consultants, control them, and maximize power through a well structured RFP process; management checklists and best practices.

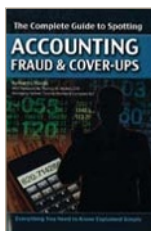
Gordon Perchthold and Jenny Sutton. Greenleaf Book Group Press. ISBN: 978-1-90832-035-6.

The Complete Guide to Spotting Accounting Fraud & Cover-ups

According to a 2008 report released by the Association of Certified Fraud Examiners, organizations in the United States lose seven per cent of their annual revenues to fraud.

Accounting fraud typically lasts two years from start to detection and nearly all perpetrators are first-time offenders. The majority of fraud is centered on a key component in the business world: trust.

How do you keep your business from sticky fingers? Martha Maeda’s book *The Complete Guide to Spotting Accounting Fraud & Cover-ups* provides a comprehensive glance at fraud in large and small corporations and shows the different types of frauds, the people committing them, and how they are accomplished. She unleashes the basic steps of detecting fraud in the



workplace after it has happened and how to prevent it from occurring again. The book is suitable for investors, industry professionals, acquisition and merger managers, and small business owners. Maeda includes studies and discussions of fraud cases and offers advice from analysts, CFOS, and CPAs.

Martha Maeda. Atlantic Publishing Group. ISBN: 978-1-60138-212-2.

Fake Work



The project was long and involving, and pointed the organization in a new, refreshing direction, but its final report was rejected by the executive committee who wanted the firm to stay on its current path regardless of the consequences. These leaders discarded several similar projects before. Brent D. Peterson and Gaylan W. Nielson label such projects as “fake work.” Fake work involves tasks that take considerable time and effort, but lead nowhere for either the person or the organization. In contrast, real work moves a company forward. Real work is in line with the organization’s goals and strategies. Fake work is often difficult to differentiate from real work, especially in an office environment. Fake work includes unused paperwork, meetings that go nowhere and unfocused training.

In their book titled *Fake Work*, Peterson and Nielson recommend using a three-step audit to determine if work is real or fake: analyze each task, emphasize real work and evaluate performance.

Another chapter in *Fake Work* addresses personality traits and how they encourage the development and continuance of fake work. The chapter contains a chart of more than 20 personality traits, and their counterparts that foster real work. In fact, this chart could be interpreted as a list of personality characteristics that are possessed by good office workers. One trait is “hyper-analytical” which is contrasted with “balanced.” The hyper-analytical person does a lot of fake work by over analyzing, doing unnecessary research and disregarding deadlines.

Fake Work encourages everyone in an organization to do real work rather than fake work. Peterson and Nielson’s approach is broad in scope — it is based on their insights from many years of human resources consulting for industry and government and Peterson’s experience as a professor. *Fake Work* encourages readers to think about their current jobs as well as how to improve their work performance.

Reviewed by Patrick Buckley, CMA, PhD

Brent D. Peterson and Gaylan W. Nielson. Simon and Schuster. ISBN 978-1-4169-4824-7.

"We've seen our revenue per employee increase by around sixty-five percent in the last four years...That's the way we've been able to measure what SYSPRO has done for us."

John Hayward, President, Hayward Gordon

The Power of ERP A Case Study at Hayward Gordon

Hayward Gordon Ltd. designs, manufactures and distributes process equipment; products and systems relating to pumping, mixing, filtration, and bulk solids handling. With 78 employees and branch locations in Vancouver, Calgary and Montreal, Hayward Gordon is headquartered in Halton Hills, Ontario, home of the company's custom-built, 50,000-sq.ft. office and plant facility, opened in the fall of 2006.

"We serve a wide variety of industries," says company President John Hayward, whose father, Len Hayward, started the business in 1952. "We're particularly strong in mining and waste-water treatment, but we also work with a wide variety of process industries: chemical processing, food processing, pulp and paper – the list is extensive, even the automotive industry needs pumps for paint."

As a result of the company's mining specialization, Hayward Gordon has established a growing global presence. "The company as a whole is very strong in North America," says Hayward, "but we're also exporting a good deal of equipment to South America and other parts of the world. We currently have projects destined for countries such as Madagascar, Australia, Dominican Republic, Mexico and Chile."

In 1990, Hayward Gordon decided to run its operations on SYSPRO enterprise resource planning (ERP) software. "We went through a number of false starts before settling on SYSPRO," says Hayward. "We used other ERP packages, and even tried to make one ourselves. When we realized what an immense task it would be to create and maintain our own ERP, we went back to the market, and eventually chose SYSPRO."

According to Hayward, the decision to invest in SYSPRO was based on three main considerations. "First off, the work we do is highly varied – we're more of a job shop than build-to-stock. We felt that SYSPRO's Bill of Materials (BOM), Work in Progress (WIP), and Requirements Planning modules lent themselves well to a job-shop environment. Secondly, SYSPRO's integration of operations and finance was excellent – far better than anything else we looked at. Finally, we wanted to be sure that the ERP we chose would be properly maintained and supported. Many of the ERP companies we considered back then don't exist anymore. SYSPRO has stayed, and has supported its product very well."

Over the last few years, says Hayward, the company has faced a major challenge – the strengthening of the Canadian dollar. "That's put immense pressure on us to become more productive, and to reduce our costs," says Hayward. In response, the company has been implementing LEAN practices. "That has a lot to do with leveraging our ERP. We underwent a very extensive business-process mapping project, a few years back, to find areas in which we could create efficiencies, and many of the ways we chose to streamline our business involve the use of SYSPRO."

For example, Hayward Gordon has implemented electronic time tracking in the shop, and has automated its labour posting function. "We get the tracking in real time now," says Hayward, "and by having SYSPRO do it, we've been able to eliminate a data entry position. We've also integrated Microsoft CRM (customer relationships management) directly into SYSPRO, thereby automating our order entry. Now we can have people in the field enter their orders automatically, eliminating the need for duplicate entry."

In the near future, says Hayward, the company is hoping to implement electronic funds transfer (EFT) to streamline its payables. "The timing for all these efficiencies has been good, because despite the market challenges, we've been seeing some growth. Getting more out of SYSPRO has allowed us to expand without breaking apart at the seams."

Leveraging SYSPRO has not only reduced costs, it has helped Hayward Gordon reliably meet its lead times. "One of the things we realized," says Hayward, "was that we had to compress our lead times and make them more reliable. We've taken a number of steps that take advantage of the fact that processes that used to run consecutively, can now run concurrently. For example, these days, when an order is entered, it gets reviewed and the credit check is triggered along with a customer number request – all electronically and all at the same time. Previously, a paper file would spend many days travelling to multiple departments for approval before the order was placed. Now, if there's a problem with the order, action can be taken right away. It's much more efficient, and it's helping us serve our customers better."

Asked to comment on SYSPRO's ROI, Hayward offers a useful metric: "We've seen our revenue per employee increase by around sixty-five percent in the last four years. You can't do that unless you build into your company the ability to grow sales without growing costs in lockstep. If you don't have the right infrastructure in place, your sales can even cost more to make than they're worth. That's what productivity is about – if you have the right systems in place it gives your company extra capacity, without adding costs. That's the way we've been able to measure what SYSPRO has done for us."

Says Hayward, in conclusion: "We're very happy with SYSPRO: the product, the support, and the ongoing development. The fact that we've been with it as long as we have says a lot. We continue to build it into our operations in a very important way."

To find out more about Hayward Gordon, please visit: www.haywardgordon.com

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News and views

New and noteworthy information you can use

Employees seek long-term relationships with employers

The Global Workforce Study — a survey of employee attitudes and workplace trends by Towers Watson — suggests that the recession has altered the way employees view their work today. In contrast to earlier studies, the 2010 results indicate that Canadians have moved away from the employment notion of being a “free agent” to become the “marrying kind”— seeking lifetime careers with just one or two employers.



Eight out of 10 employees now want to “go steady” for the long-term with their employer; 43 per cent say they want to work for a single company for their entire career, and 34 per cent want to work for no more than two to three companies over their career span. While the move toward workplace loyalty is welcomed

by employers as the economic recovery takes hold, organizations should note that employees don't perceive the relationship as a one-sided courtship. Instead, they are looking to their employers for a reciprocal investment in the form of learning and development opportunities.

“The recession has prompted many employees to rethink their priorities and focus on a longer-term commitment to their employer in return for security and real career development,” Ofelia Isabel, of Towers Watson says. “The survey results tell us that what Canadians really want from their employers is the opportunity to learn and advance in their chosen professions along well-understood career paths.”

The study shows that employees see career opportunity as the top reason to stay with an employer. It is also the second most important factor influencing engagement on the job, following inspirational leadership. In addition, survey respondents say that the potential to grow with a company is among the top four most important reasons to join an organization, along with pay, vacation and health benefits. The recession has helped employees focus on what they want and need from their employers.

To view a full copy of the report, visit www.towerswatson.com.



Software: Front Row Solutions

Front Row Solutions' release of version 3.0 of its sales productivity and accountability software now includes a seamless calendar synch capability with Microsoft Outlook, a new mobile browser for smart phones and expanded data entry features for remote sales and client notes via SMS text messaging.

“All of our new features were designed to further optimize sales representatives' time and provide an efficient and mobile sales tracking and reporting solution, Tom Tolbert, president, Front Row Solutions, says. Sales representatives will directly benefit by being able to make additional sales calls and generate more revenue with less time spent in an office.

Front Row's mobile browser provides a feature rich interface for mobile devices such as the iPhone, Blackberry and the Android, which enables sales representatives and management to access vital client data and sales performance data on the go.

Previously, Front Row's calendar features were only viewable and interfaced within Front Row's back office. With the new synch capability to Microsoft Outlook, sales representatives can now access their entire daily and weekly scheduled activities via the most widely used e-mail client in the world.

Events

Registration is now open for the World Congress of Accountants (WCOA) 2010, to be held Nov. 8 – 11 in Kuala Lumpur, Malaysia. To access registration rates, the most recent copy of the WCOA newsletter, and general information about the WCOA program, please visit the WCOA site at www.wcoa2010kualalumpur.com.



IFAC releases 2010 handbooks

The International Federation of Accountants (IFAC) released the 2010 *Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements*, and the 2010 *Handbook of the Code of Ethics for Professional Accountants*.

The *Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements* includes the International Auditing and Assurance Standards Board's (IAASB) complete set of clarified international standards on auditing (ISAs) and international standard on quality control (ISQC) 1 now in effect. It also includes the IAASB's standards on review, other assurance, and related services, a glossary, and a preface to the international standards.

The *Handbook of the Code of Ethics for Professional Accountants* contains the code of ethics for professional accountants (the Code), which has been revised by the International Ethics Standards Board for Accountants (IESBA) for improved clarity and strengthened independence requirements. The revised Code becomes effective on Jan. 1, 2011, with early adoption permitted. The handbooks can be downloaded free of charge in PDF format or purchased in print from IFAC's publications and resources site: web.ifac.org/publications.

Effective communication can help retain top performers

In a business environment that remains tumultuous, companies with highly effective internal communication programs are better placed to keep employees engaged and retain key talent, suggests a survey by Watson Wyatt.

"As the economy continues to shift, keeping employees up-to-date on how the company is responding, and how they are affected, will help insure against their becoming demoralized and disconnected," Kathryn Yates, global leader of communication consulting at Watson Wyatt says. "Effective communication helps engage employees, and that has positive implications for productivity and the bottom line."

Sixty-one per cent of companies that are highly-effective communicators report that their managers are effective at dealing openly with resistance to change, compared with only 18 per cent of low-effectiveness communicators. Similarly, 64 per cent of highly-effective communicators report that their managers are effective at addressing the needs and concerns of their current employees, compared with only 22 per cent of companies that don't communicate as effectively. The 2009/2010 *Watson Wyatt Communication ROI Study* includes 328 organizations that collectively represent 5 million employees from various regions around the world. The research identified the best practices of companies that are highly-effective communicators. To view the 2009/2010 *Communication ROI Study*, visit www.watsonwyatt.com/CommROI.



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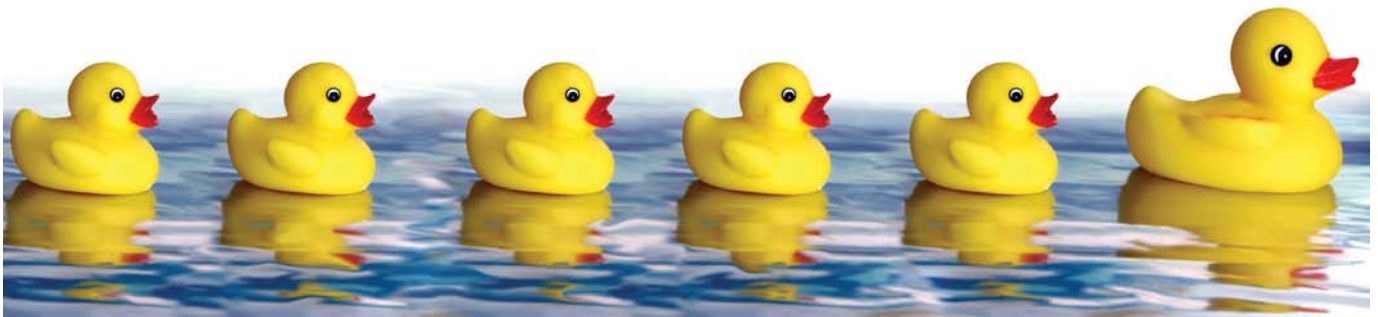
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The missing ingredient in talent development

Having good leaders and peers is important to the bottom line and, because of that, companies invest in leadership training. But what about followship skill development?



By Samantha Kerr Hurwitz, CMA and Marc Hurwitz

Have you seen the *30 Rock* episode where Jack Donaghy (Alex Baldwin) presents Liz Lemon (Tina Fey) with the G. E. Fellowship Award? It goes like this:

“Attention all! Attention all! It is with great pleasure that I announce the recipient of this year’s prestigious G.E. Fellowship Award: None other than our very own Liz Lemon.” Jack Donaghy barges into Liz’s team meeting smiling and carrying the award.

“Wait, how could Liz win a Fellowship Award? She doesn’t even like people!” Pete Hornberger (one of Liz’s staff) pipes up.

“Not fellowship, followship.” Jack corrects. *“It’s presented annually to the woman, sorry, person who best exemplifies a follower.”*

“I’m not a follower!” Liz cries.

“It also comes with ten grand!” Jack adds.

Smiling graciously and clutching the award, Liz exclaims, *“I accept this proudly on behalf of followers everywhere.”*

This segment has many useful messages: being a follower has a bad rap; being a great follower is highly valuable to an organization; *30 Rock* is very funny; and so on. They missed a couple of key points though. First, all of us are followers in an organization, even the CEO is a follower to the board of directors. It is a role we have at every level, from junior accountant to CFO. And, second, followship is often rewarded, although rarely as explicitly as on *30 Rock*.

Have you ever thought about the rewards of being a great follower? Clearly at the fictitious G.E., it’s worth a lot. In fact, there is scientific evidence that followship contributes strongly to organizational success and is linked to promotion decisions. In his analysis of proactive personality types, Jeffrey Thompson (2006) notes that followers can develop “goodwill capital” that affords them the latitude to pursue new initiatives. He draws a link between taking accountability for your environment and successful job performance. Not surprisingly, having a proactive personality is also linked to improved career satisfaction and mobility. Rebecca Thacker and Sandy Wayne (1995) assert that building a strong relationship with a manager “has a positive effect on an individual’s (performance) evaluation” and hence career progression. Having good leaders and peers is very important to the bottom line and, because of that, you likely invest in leadership training and team-building activities. The same is true of followship — it’s critical to organizational success. Consider how much more effective you would



be if your staff needed less guidance to be effective; provided you with crisp, timely, relevant communications; prepared just the right MIS to support the decisions you need to make; and, extended your reach by representing you well at meetings. However, these (followership) skills are often missing entirely from the talent development vernacular. To highlight the absurdity of this, imagine what would happen if we took a pair of dancers and only trained them to lead. No matter how proficient they became at leading, the partnership would not work. When the value and distinctiveness of one of our key roles is discounted and poorly understood — as it often is with followership — we miss valuable coaching discussions and development opportunities which, in turn, seriously hamper careers and the bottom line. Many organizations have begun to value this rounded perspective on employee

As CMAs, one of our functional competencies is the ability to manage performance through an iterative process of diagnosis, action planning, progress monitoring, and feedback.

performance (and roles) through the use of 360° assessment tools. These tools are used to elicit key perceptions about a person's on-the-job skills and behaviours using feedback from their staff, peers, and leaders. While these evaluation tools have gained popularity, big gaps remain in the corresponding action plans and performance evaluation systems.

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Successful senior leaders get it. We have conducted many interviews with senior leaders to get their perspective on followship. They often hadn't thought of it quite this way before, but once familiar with the concepts and language — once the invisible idea of followship was made visible — they seized the notion and saw tremendous opportunity. Leaders not only twig to the fact that followship has been key to their own personal success, they readily agree that building a team of great followers is their top leadership imperative. During one interview, a newly-minted president of a mid-sized east coast company said to us, "In the first three months of my job, I want to see who gets on (my) bus and who doesn't. The ones who don't might be good people — I've likely worked with them and have respect for their skills — but they will have to move on." Sound familiar? In the New York Times Bestseller *Good to Great*, Jim Collins says that "(a leader's) first (job is) getting the right people on the bus and the wrong people off the bus." Unfortunately his book doesn't elaborate on what leaders look for in handing out the bus tickets. The missing ingredient is excellent followship.

Sometimes front line staff don't get it. They believe that being a follower is less important than being a leader. They believe that once they hit the management ranks their follower days are over! Our interviews with senior leaders reveal just the opposite: followship behaviours become more important the higher you rise in an organization. Why? Because less of the work of CFOs or controllers depends on technical prowess but, rather, involves creating relationships, alignment, interpreting directives, strategy implementation, modelling, mentoring, and working through others. Followship not only supports these outcomes, it is the directly

observable behaviour that gets used in the performance evaluation process. Like leadership and team building skills, followship skills can be developed and improved upon.

As CMAs, one of our functional competencies is the ability to manage performance through an iterative process of diagnosis, action planning, progress monitoring, and feedback. We do this with cost management systems, with financial statements, and with our teams, all with an eye to increasing performance. Adding a 360° Employee™ mindset — one that considers all our organizational roles — to the performance management toolkit enables us as managers to have more holistic diagnostic capabilities, clarify performance expectations, and create more actionable feedback. This, in turn, helps insulate our organization against talent disillusionment and derailment, while building stronger leaders.

Consider how much more effective you would be if your staff needed less guidance to be effective; provided you with crisp, timely, relevant communications; prepared just the right MIS to support the decisions you need to make; and, extended your reach by representing you well at meetings.

As a leader, how can you build and reinforce good followship in your staff? Start by acknowledging its value and distinctiveness. Make the invisible visible by adopting a shared language. Talk about the specific behaviours you seek and value. Give examples to your staff of how senior leaders in your company have demonstrated excellent followship. Model the behaviours you seek. Take a look in the 360° mirror and ensure that you are doing everything you can to best support your leader's goals and to be a true collaborator for your peers. ■

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Management

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Voluntary disclosures in corporate annual reports — More than meets the eye

Companies have increased latitude in what to disclose. It is important not to overlook voluntary disclosures when preparing, reviewing, or reading an annual report.



By Merridee Bujaki and Bruce McConomy

As professional accountants, most of us have some involvement with annual reports issued by publicly-traded corporations. Accountants in industry may help prepare annual reports; auditors read annual reports to ensure consistency with the audited financial statements; and management accountants read annual reports issued by companies whose shares they own. While many of the disclosures included in annual reports are mandatory — according to provincial securities legislation, including the management’s discussion and analysis (MD&A) and audited financial statements — most of the other information included falls under the definition of voluntary disclosure.

Even within the MD&A, management need to make decisions about what to disclose and how to disclose it. For example, the Ontario Securities Commission (OSC) encourages companies to provide a balanced discussion of their results as part of the MD&A, including discussion of items such as liquidity, off balance sheet financing, and trends

and risks that may affect the current (and future) results of the company. Similarly, MD&A disclosures should help financial statement users assess the quality of the company’s earnings and cash flows. Companies need to make choices about what is required to be disclosed under the MD&A, versus what is desirable. In a recent “unofficial consolidation” of amendments to its continuous disclosure requirements, the OSC suggests companies focus their MD&A on material information. For example, managers should consider whether a reasonable investor’s decision to buy, sell or hold your company’s securities would be influenced if the information being considered for disclosure was omitted or misstated. If so, the information is likely material.

If we look beyond the required disclosures in a company’s financial statements and MD&A, companies have increased latitude in what to disclose. It is important not to overlook these voluntary disclosures when preparing, reviewing, or reading an annual report. In fact, some researchers have suggested that these disclosures may be particularly



informative because management has an opportunity to choose what to include.

Voluntary disclosures in corporate annual reports include everything from the letter to shareholders to photographs. There is considerable research that suggests the letter to shareholders is the most widely read section of annual reports.

Management accountants needs to read voluntary disclosures in corporate annual reports with a critical eye.

Letters to shareholders

Prior research suggests letters to shareholders help reveal a corporation’s values, priorities, and even expectations for the future. A number of authors — including accounting researchers and researchers of business communications — have looked at the language used in the letter to shareholders to evaluate whether the author’s choice of language differs

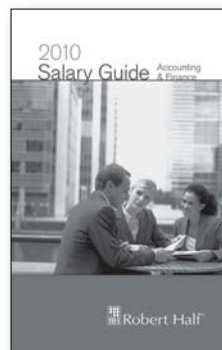
when performance changes, from reporting a net income to a net loss; whether the level and complexity of language increases when the corporation has bad news to report; and whether a CEO’s choice of metaphors reveal his or her priorities for the corporation or, in some cases, avoid accountability.

In 2006, Joel Amernic, of the Rotman School of Management at the University of Toronto and Russell Craig, professor at the National Graduate School of Management at the Australian National University published *CEO-Speak: The Language of Corporate Leadership* which explores the unspoken messages in many speeches, letters, and communiqués. We used their research to examine the use of metaphors found in letters to shareholders issued by Nortel Networks Corporation from 1997 to 2006.

Nortel is an interesting corporation to study because it’s both one of Canada’s greatest corporate successes and one of its greatest failures. Four very different CEOs headed Nortel: John Roth (1997-2000), Frank Dunn (2001-2002), Bill Owens (2003-2004), and Mike Zafirovski (2005-2006).



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After reading Nortel's letters to shareholders and examining the metaphors used by each CEO to describe Nortel's relationships, successes, challenges, plans, and priorities, we found common metaphors: business as a journey, business as movement or change, business as a vision, business as relationships; and business "under construction." We also found some variability year by year and between each CEO. In 1999, John Roth wrote about the new millennium and opportunities emerging with the Internet. He used a number of metaphors dealing with time, science, change, and revolution. Roth made comparatively few references to health and the law — they were just not relevant at that time. In 2001 and 2002, just after the tech bubble burst and Nortel's share price plummeted, Frank Dunn discussed the need for Nortel to have a vision and to continue on its journey. Dunn, however, made few references to relationships — an area he was reputed to be less comfortable with. Bill Owens, Dunn's successor, was faced with numerous shareholder lawsuits — and his use of a legal metaphor in 2004 reflects this. Owens' background as an admiral in the U.S. military is also revealed by his use of terminology that invokes a war metaphor. Mike Zafirovski's letters to shareholders build upon his own reputation for team building, as reflected in his use of metaphors addressing relationships and sports. Zafirovski's letters to shareholders are also remarkable for their comparatively limited use of construction metaphors. Given Zafirovski subsequently presided over Nortel's break up; it is perhaps not surprising that he rarely invoked building metaphors.

In the case of metaphors, the CEO's choices frequently reveal something about his or her personality and may suggest the future direction for the corporation.

Photographs in annual reports

In a separate research project, we examined photographs included in the 2003 annual reports for all TSX100 corporations. We evaluated the number of photographs in each annual report and looked in detail at the information conveyed by each picture. We found 92 per cent of annual reports included pictures, with an average of 29 pictures in each, though this varies considerably by industry. Almost 60 per cent of all annual report photographs were of people. Consistent with prior research, women are significantly

underrepresented in annual report photographs relative to their workforce participation rates. We also examined whether the inclusion of women on the board of directors and women in annual report photographs are associated with corporate financial performance. Corporations with a higher percentage of women in their photographs tend to have a higher percentage of women on their boards of directors and higher rates of return on equity.

Implications

These disclosures — either the choice of metaphors or the choice of photographs — say something, sometimes explicitly, and sometimes implicitly, about the values and priorities of the corporation. In the case of metaphors, the CEO's choices frequently reveal something about his or her personality and may suggest the future direction for the corporation. The choice of photographs may telegraph to women and men expectations about the roles they are expected to play in the corporation, and indeed, in society more generally. This may discourage some individuals from seeking employment or advancement in the corporation, limiting the talent pool available to the company and restricting its competitiveness.

Management accountants need to read voluntary disclosures in corporate annual reports with a critical eye. The voluntary disclosure literature asserts that disclosure choices are made to ensure the benefits derived from the disclosures exceed the costs. When we read, review, or advise on the preparation of corporate annual reports, we should be asking ourselves why management might choose a particular turn of phrase or metaphor and why particular photographs were selected or commissioned for inclusion in the annual report. Advisors should be on the lookout for unspoken, and possibly unintended, meanings in the CEO's use of metaphors or pictures — they can ensure the annual report conveys a clear and consistent message.

Lastly, readers of annual reports should assess whether the values depicted in the letter to shareholders and choice of photographs are consistent with other information included about the corporation, and carefully consider how the information collected from voluntary disclosures may be used to influence their investment, lending, and employment decisions. ■

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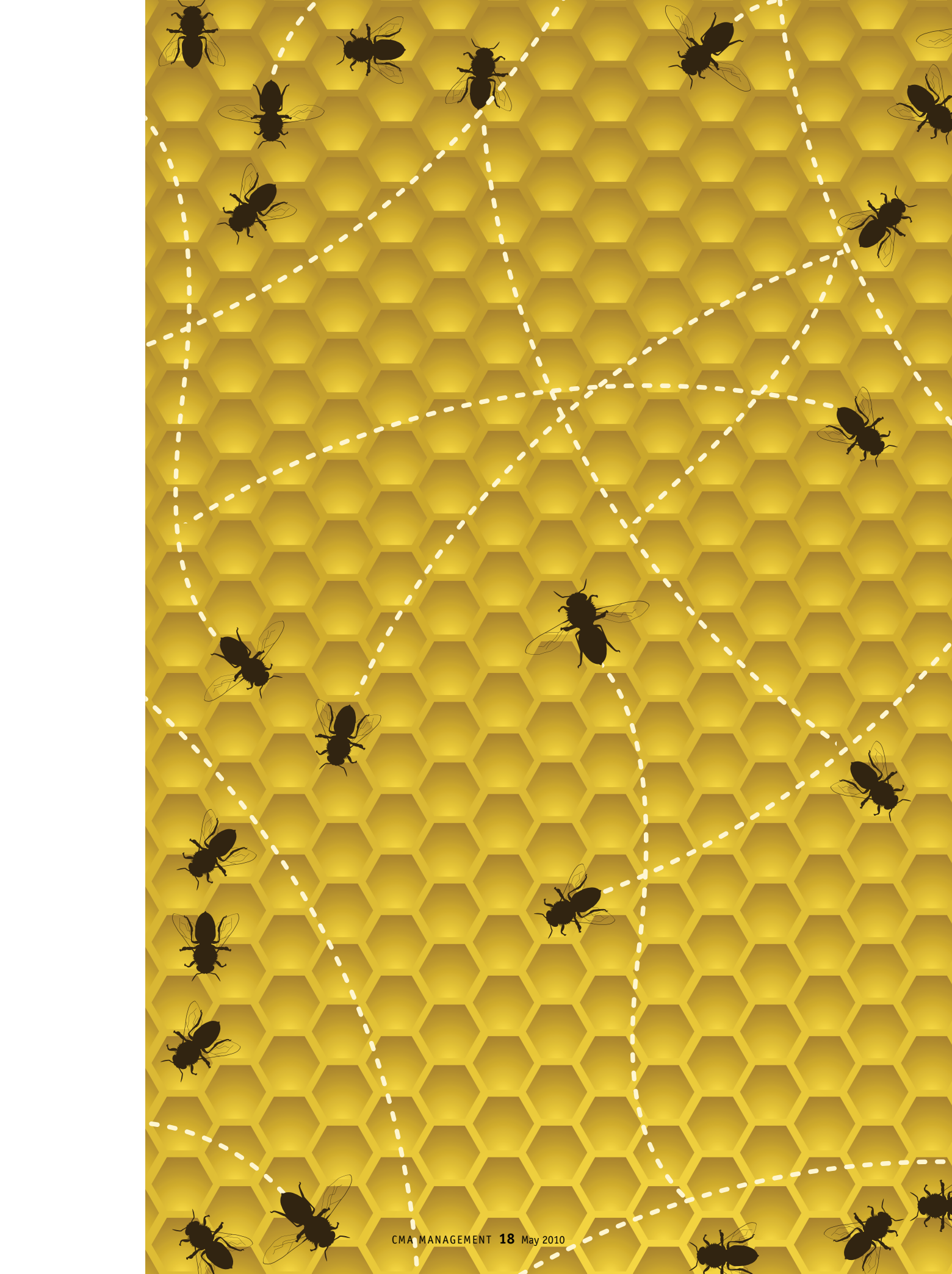
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Has planning become too complicated?

Planning tools such as the strategy map, balanced scorecard, BBRT and even the traditional budgeting process are too difficult and cumbersome to use and leave most of the “worker bees” out of the process.

By Joseph Toste, CMA

There are many different planning methods available to help individuals and organizations plan their future and goal execution. Those that come to mind are traditional budgeting, BBRT (beyond budgeting round table), balanced scorecard, strategy mapping (although the last two are more associated with performance management and measurement), and the famous to-do lists. The problem is that most people and organizations fail to plan properly.

Planning is really about creating the future. In fact, it is a look into the future. How fortunate are we to be able to look into the future, although we really don't do anything about it, most of the time. If planning helps us to look into and create the future (personal or corporate), all we really need to do thereafter is merely walk the same steps that we planned and the future should role out just as we planned it, shouldn't it? One of the problems why it so often doesn't is that the planning happens too high up in organizations and doesn't get properly cascaded down the ranks of the company to those who actually carry out the details of the plan. Another problem is that the plan is created in such vague terms that only few really understand the details necessary to carry it out. Individuals usually put their plan down on paper, file it away, and never revisit it again.

Some planning tools used today like the strategy map, balanced scorecard (to some extent), BBRT and even the traditional budgeting process, although valid, useful and worthwhile, are just too complicated and cumbersome and leave most of the “worker bees” out of the process. Because these tools are specialized, only a few



people in the organization really understand them well enough to use them, but unfortunately they are too few and make too little of a dent in the future of the organization. As far as individuals are concerned, many will not do any sort of formal planning beyond thinking about what they want to see happen in their future. When's the last time you sat down at your laptop or with a pen and paper and jotted down your plans and established a timeframe to accomplish them?

Planning is not an art and shouldn't be considered one. Planning should be a language and philosophy that is common to everyone, easily understood in an organization and in an individual's personal life. Keeping it simple so everyone can understand it is the key to success. Setting a personal goal to accumulate one million dollars before you're thirty or a corporate goal to increase market share by 10 per cent is hard enough, but coupling it with a difficult process, or one that's understood only by few, almost puts the seal of doom on the plan.

Organizing information is one important aspect of understanding the plan. When formulating a plan, it's crucial to organize the information in an easy-to-understand format. Using words to tell a

Planning is not an art and shouldn't be considered one.

story is much harder than using pictures; therefore, using a plan that contains both words and graphics will increase the effectiveness of conveying the message and carrying out the plan.

Strategy is the means to accomplish the objective(s) as set out by the organization or individual. It is the "what and how" to accomplish the objective. The various detailed steps, when completed, will accomplish the objective. Two questions need to be answered during the "what and how" development — "what is the desired outcome?" and "how will I accomplish it?"

A corporate strategy affects every layer, function and individual in the organization. Each person has a part to play in the successful

completion of the corporate strategy. The overall objective may be to increase revenues or just become more efficient in operations. No matter what it is, the strategy is all encompassing of the entire organization, which includes behaviours from the most senior levels down to the lowest operational ones. For example, increasing revenue can't take place unless the shipper ships the goods out to the customer on time and the billing department sends out the invoice on a timely basis so the cash is collected and put back into the operating cycle of the organization. There are a myriad of other business and functional objectives and people affected in between the above scenario to accomplish the corporate objective.

To simplify and increase the likelihood of accomplishing corporate objectives, each employee is required to do their part. To make this a reality, employees need a simple process to help them do their part. Simply telling them what to do is one way, but it makes people feel inferior and micromanaged. Inviting them to get involved and contribute solutions to implement the corporate strategy will increase the chances of meeting the company's objectives.

To accomplish this, employees need an easy process, to plan what they need to do to accomplish their part of the strategy. A simple but effective method to get the message across is what I call the "Personal Strategic Plan (PSP)." "Personal" because it is each employee's contribution to the strategy; "strategic" because it represents the piece of the corporate strategy that he/she is responsible for; and "plan" because it assists in creating the future of the organization. Each employee's PSP helps to accomplish the overall corporate strategy and provides the ownership and commitment to make it real.

The PSP is an easy to understand process. It involves identifying the various steps required to complete the part of the objective assigned to the individual. For example, if the corporate objective is to increase sales by 10 per cent over the next year, the employee may be the shipper who is required to ship the products on time and in good condition. Since the corporate objective will put a further strain on his/her duties, an objective the employee's supervisor would be inclined to make would be to "ship all orders on time and in the condition ordered by the customer." To accomplish the objective, the shipper may establish the PSP as



shown in Exhibit 1, for example.

Just as no two snowflakes are the same, no two PSPs will be the same. Each will be unique to the individual, his/her responsibilities and will influence the corporate objective(s). The marketing manager's PSP, for example, may be similar to the one illustrated in Exhibit 2.

The PSPs may only represent a few of the actions that the shipper and sales manager, amongst all the other employees, would have to take to accomplish a 10 per cent sales increase. It also illustrates how to prepare PSPs.

A major aspect of the PSP is that every one of them (and there should be as many as there are employees) are interconnected. Actions in one will feed objectives to another. Each one could cascade actions up and down the organization. For example "have HR advertise for two new sales staff" (in the marketing manager's PSP) will be an objective of the HR function that will have to be embedded in one of HR's PSPs or become a separate item for one of the HR staff (create the ad, select the candidates to

be interviewed, conduct the interview and make the selection).

The employee responsible to accomplish the objective should be the one who designs his/her PSP. Once it is designed, it needs to be approved by the employee's supervisor who may adjust it for feasibility, clarity and even add other actions that the employee didn't think about. The timelines attached to each action should be reviewed and approved. The important point is that it was the employee who devised the plan and takes ownership for its completion. When the PSP is devised and approved,

Whether it's planning the organization's future or your individual future, you need to keep it simple and let everyone know how they contribute to the overall objective.

Exhibit 1: Personal Strategic Plan – Shipper: Effective Jan. 1, 2008

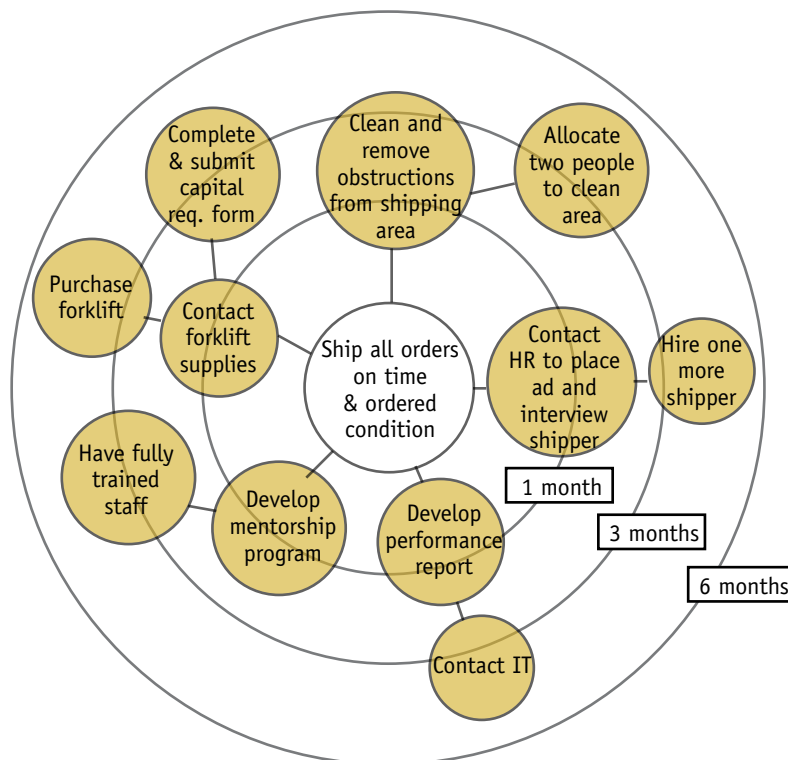
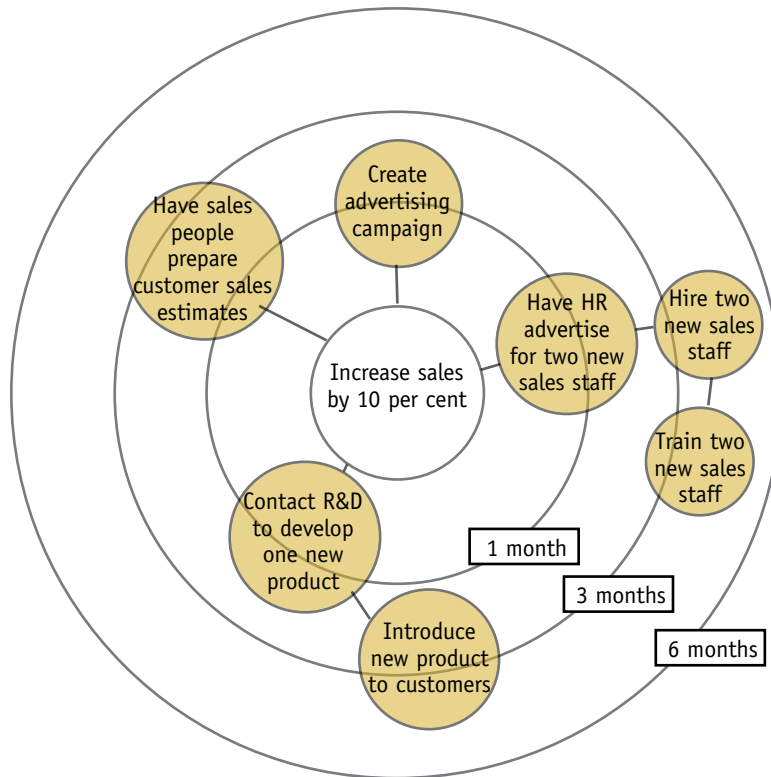


Exhibit 2: Personal Strategic Plan – Marketing manager: Effective Jan. 1, 2008



Discarding the smallest of details will prevent you from accomplishing what you set out to do or leave you short of your original goal.

it will form part of the employee's performance evaluation and reward system. The PSP will form the basis of future actions and rewards that are all connected to the corporate strategy.

Each separate action identified to complete the individual's objective is placed on the PSP around the timeline required for the action. The timeline is a circle around the objective (the nearest circle requiring less time than the farthest) and the actions are placed close or far from the objective, depending how much time will be required to complete it. This way, the individual and their supervisor will visually see all the actions required, how the objective will be accomplished and how long it will take. As each action is completed, the

bubble with the action in it will disappear (like a snowflake melting) until all that remains is the center, the original objective. When the center of the snowflake is the only visible remaining part, the objective has been accomplished.

Whether it's planning the organization's future or your individual future, you need to keep it simple and let everyone know how they contribute to the overall objective. Think about all the individual actions that need to take place before the end result can be met. The sequence of events is crucial. You need to identify which actions are required before the others. Don't overlook any, no matter how small they may be and don't cut corners. Discarding the smallest of details will prevent you from accomplishing what you set out to do or leave you short of your original goal. Keep your pride in check and stay focused on the end result. ■

Joe Toste, CMA, is a full-time faculty member at Centennial College's School of Business. He has co-authored books on financial accounting and has been a moderator in the CMA Strategic Leadership Program™ for the past 15 years.



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The Future: Enterprise risk-based performance management

Once an organization becomes quite successful it becomes adverse to risk taking. Taking risks, albeit calculated risks, is essential for organizations to change and be innovative.

By Gary Cokins

Enterprise performance management is defined as a broader umbrella concept of integrated methodologies — much broader than its previous definition as dashboards and better financial reporting. What could possibly be an even broader definition? Enterprise performance management is a crucial, integral part of how an organization realizes its strategy to maximize its value to stakeholders, both in commercial and public sector organizations. This means that enterprise performance management must be encompassed by a broader overarching concept — enterprise risk management (ERM).

A popular acronym is GRC (governance, risk, and compliance). One may consider governance (G) as the stewardship of executives to behave in a responsible way, such as providing a safe work environment or formulating an effective strategy; and consider compliance (C) as operating under laws and regulations. Risk management (R), the third element of GRC, is the element more associated with performance management.

Governance and compliance awareness from government legislation such as Sarbanes-Oxley and Basel II is clearly on the minds of all executives. Accountability and responsibility can no longer be evaded. If executives err on compliance, they can go to jail. As a result, internal audit controls have been beefed up. Today, there is too much “C” in GRC. Its substantial administrative effort has become a distraction for organizations to focus on organizational improvement.

The “R” in GRC has similar characteristics of performance management. The foundation for both ERM and performance management share two beliefs:

1. The less uncertainty there is about the future, the better.
2. If you can not measure it, you can not manage it.





Risk as opportunity or hazard?

ERM is not about minimizing an organization's risk exposure; it's all about exploiting risk for maximum competitive advantage. A risky business strategy and plan always carries high prices. For example, what investment analysts do not know about a company or if they have uncertainty or concerns will result in adding a premium to capital costs and discounting of a company's stock value. Uncertainty can include accuracy, completeness, compliance, and timeliness in addition to just being a prediction or estimate that can be applied to a target, baseline, historical actual (or average), or benchmark.

Effective risk management practices counter these examples by being comprehensive in recognizing and evaluating all potential risks. Its goal is less volatility, greater predictability, fewer surprises, and the ability to bounce back quickly after a risk event occurs. A simple view of risk is that more things

can happen than will happen. If we can devise probabilities of possible outcomes, then we can consider how we will deal with surprises — outcomes that are different from what we expect. We can evaluate the consequences of being wrong in our expectations. In short, risk management is about dealing in advance with the consequences of being wrong.

Risk can be viewed as having an opportunity that can be beneficial in the future in addition to risk viewed as a hazard. For example, a rain shower may be a disaster for artists at an outdoor art fair while being a huge break for an umbrella salesperson. What risk and opportunity both have in common is they are concerned with future events that may or may not happen. Their events can be identified, but the magnitude of their effect uncertain, and the outcome of the event can be influenced with actions.

Risk is usually associated with new costs because they may

turn into problems. In contrast, opportunity can be associated with new economic value creation such as increased revenues because they may turn into benefits. Most organizations can not quantify their risk exposure and have no common basis to evaluate their risk appetite relative to their risk exposure. Risk appetite is the amount of risk an organization is willing to absorb to generate the returns it expects to gain. The objective is not to eliminate all risk, but rather to match risk exposure to risk appetite.

ERM is not simply contingency planning. That is too vague. It begins with a systematic way of recognizing sources of uncertainty and then applies quantitative methods to measure and assess three factors:

1. The probability of an event occurring.
2. The severity impact of the event.
3. Management’s capability and effectiveness to respond to the event.

Based on these factors for various risks, ERM then evaluates alternative actions and associated costs to potentially mitigate or take advantage of each identified risk.

Types of risk categories

With potentially hundreds of risks that may be identified, dealing with them may seem daunting. Consequently, ERM can be better understood by categorizing various risks. For example, identified risks could be grouped as being strategic, financial, operational, or hazard. Or they could be grouped as external or internal and controllable or uncontrollable. An alternative risk categorization are these four types:

1. **Market and price risk.** The risk that an increasing product or service offering supply or an aggressive price reduction from competitors will force lower prices and consequently profits.
2. **Credit risk.** The risk that customers will fail to pay for their purchases.
3. **Operational risk.** The risk of loss resulting from inadequate or failed internal strategy, processes, people and technology, or from external events.
4. **Legal risk.** The financial risk from insufficient net positive cash flow or from exhausted capital equity-raising or cash-borrowing capability. The risk from litigation or regulatory authority penalties.

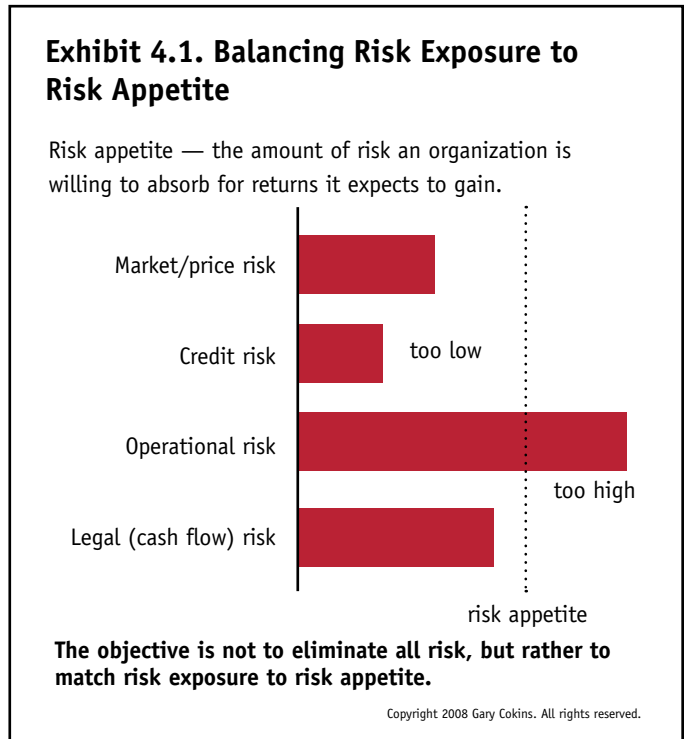
Operational risk is the key lever of the four risk types where organizations can match their risk exposure to their risk appetite. This is where they can wager the big bets both on formulating the strategy and subsequently on executing the strategic objectives that comprise that strategy.

Operational risk as defined above includes many possibilities including quality, workforce hiring and retention, supply chain, fraud, manager succession planning, catastrophic interruptions, technological innovations, and competitor actions.

As earlier mentioned, operational risk management includes potential benefits from risks taken and from missed opportunities of risks not taken. Should we enter a market we are not now participating in? Should we offer an innovative

product or service line offering while unsure of the size of the market or competitor reactions? How much should we rely on technology to automate a process? Will our suppliers dependably deliver materials or services at the right time or right quality? But organizations need to first measure their operational risk exposure and appetite in order to manage it.

Exhibit 4.1 illustrates aggregated quantitative risk measurement that guides balancing risk appetite with risk exposure.



Risk-based performance management framework

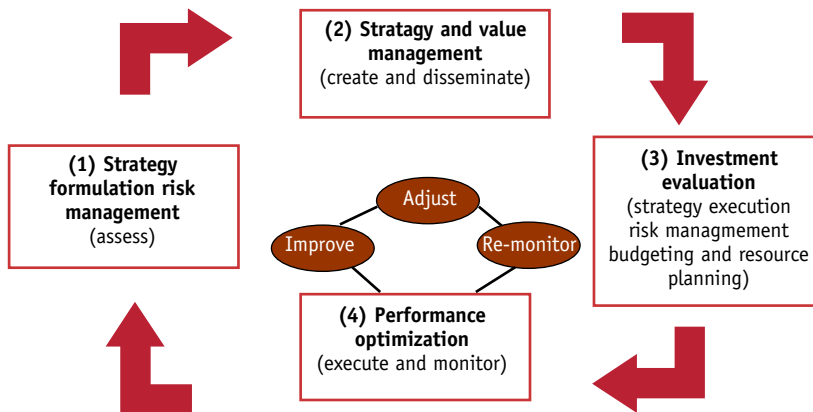
The premise here is to link risk performance to business performance. As it is popularly described in the media, performance management, whether defined narrowly or ideally more broadly, does not currently embrace risk governance. It should. Risk and uncertainty are too critical and influential to omit. For example, reputational risk caused by fraud (e.g., Tyco International), a terrifying product-related incident (e.g., Toyota), or some other news headline grabbing event can substantially damage a company’s market value.

Exhibit 4.2 illustrates how strategy formulation and its execution risk management plus performance management combine to achieve the ultimate mission of any organization: to maximize stakeholder value.

The four step sequence includes direction setting from the executive leadership –“Where do we want to go?”– as well as the use of a compass and navigation to answer the questions “How will we get there?” and “How well are we doing trying to get there?”

Step 1. Risk management. This involves the strategy formulation aspect of risk management. Here the executives

Exhibit 4.2. Risk-Based Performance Management



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Step 2. Strategy and value management.

A key component of the portfolio of performance management methodologies is formulated here: the organization's vision, mission, and strategy map. Here the executives determine markets, products, and customers to target. The vision, mission, and strategy map is how the executive team both communicates to and also involves its managers and employee teams. Based on the strategy map, the organization collectively identifies the vital few and manageable projects and select core processes to excel at that will help it attain the multiple strategic objectives causally linked in the strategy map. This is also where research and development plus innovation projects are incubated.

Step 3. Investment evaluation.

A plan is one thing, but how much to spend accomplishing the plan is another. That amount is determined in this step. This involves the strategy execution aspect of risk management. Resources, financial or physical, must always be considered as being scarce, so they must be wisely chosen. The capital markets now ultimately judge commercial companies on their future net positive free cash flow. This means that every

stand back and assess the key value drivers of their market and environment, a process that includes the identification of their key risk indicators (KRIs). Formulating KRIs is essential to understand the root causes of risk. They include a predictive capability, so that by continuously monitoring variances between expected against re-forecasted KRIs, the organization can react before rather than after a future event occurs.



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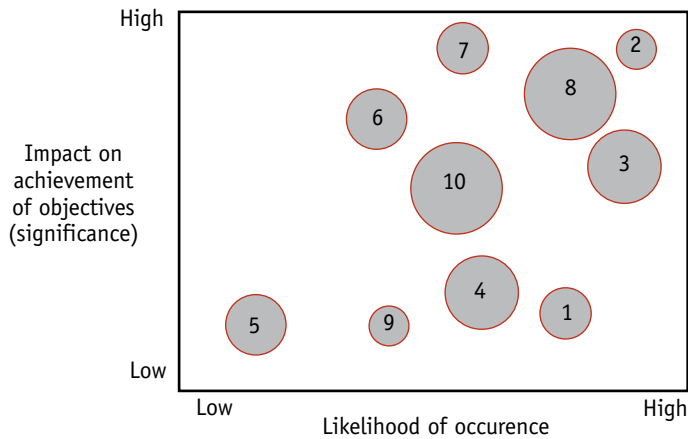
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Exhibit 4.3. Risk Assessment map



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color-coded alert signals. Scorecards and dashboards provide strategic and operational performance feedback so that every employee, who is now equipped with a line of sight to how he or she helps to achieve the executives' strategy, can daily answer the fundamental question, "How am I doing on what is important?" The clockwise internal steps — "Improve, Adjust, Re-Monitor" — are how employees collaborate to continuously re-align their work efforts, priorities, and resources to attain the strategic objectives defined in step two.

The four steps are a continuous cycle where risk is dynamically reassessed and strategy subsequently adjusted.

Strategy execution risk management begins with strategic objectives

next incremental expense or investment must be viewed as contributing to a project requiring an acceptable return on investment (ROI), including recovering the cost of capital. Spending constraints exist everywhere. That is, customer value and shareholder value are not equivalent and positively correlated, but rather they have trade-offs with an optimum balance that companies strive to attain. This is why the annual budget and the inevitable rolling spending forecasts, typically disconnected from the executive team's strategy, must be linked to the strategy.

Management must decide on the cost versus benefits of the mitigation actions. Will the mitigation action, if pursued, move a risk event within the pre-defined risk appetite guidelines?

Step 4. Performance management. In this last step, all of the execution components of the performance management portfolio of methodologies kick into gear. These include, but are not limited to: customer-relation management (CRM), enterprise-resource planning (ERP), supply-chain management, activity-based costing, and Six Sigma/lean management initiatives. Since the mission-critical projects and select core processes an enterprise must do well on will have already been selected in Step 3, the balanced scorecard and dashboards, with their predefined key performance indicators (KPIs) and performance indicators (PIs) at this stage becomes the mechanism to steer the organization. The balanced scorecard includes target-versus-actual KPI variance dashboard measures with drill-down analysis and

Measuring and managing the operational risks identified in Step 3 is now transitioning from an intuitive art to more of a craft and science. To introduce quantification to this area that involves qualitative and subjectivity, at some stage each identified risk requires some form of ranking, such as by level of importance — high, medium, and low. Since the importance of a risk event includes not just its impact, but also its probability of occurrence, developing a risk map can be a superior method to quantify the risks and then collectively associate and rationalize all of them with a reasoned level of spending for risk mitigation. A risk map helps an organization visualize all risks on a single page.

Exhibit 4.3 displays a risk map with the vertical axis reflecting the magnitude of impact of the risk event and the horizontal axis reflecting the probability of occurrence. Individual risk events located in the map are inherent risks and not yet selected for mitigation actions; that evaluation comes next. The risks located in the lower left area require periodic glances to monitor if the risk is growing; nominal to no risk mitigation spending. At the other extreme, risk events in the upper right area deserve risk mitigation spending with frequent monitoring.

The risks in the risk map are evaluated for mitigation action. What this risk map reveals is that risks number two, three, and eight are in a critical zone. Management must decide if it can accept these three risks considering their potential impact and likelihood. If not, management might choose to avoid whatever is creating the risk as for example entering a new market. Some mitigation action might be considered that would drive the risks to a more acceptable level in terms of impact and likelihood. As examples, an action might result in transferring some of the risk through a joint venture; or it might involve incurring additional expense through hedging.

Management must decide on the cost versus benefits of the mitigation actions. Will the mitigation action, if pursued,

move a risk event within the predefined risk appetite guidelines? Is the residual risk remaining after mitigation action acceptable? If not, what additional action can be taken? What is the cost and what are the potential benefits of reducing impact and likelihood? After these decisions are made, then similar to the projects and initiatives derived from the strategy map, risk mitigation actions can be budgeted.

Invulnerable today, but aimless tomorrow

Almost half of roughly 25 companies listed in the book *In Search of Excellence* by Tom Peters and Robert Waterman either no longer exist, have gone bankrupt or have performed poorly. What happened over the course 25 years since the book was published? One theory is that once an organization becomes quite successful it becomes adverse to risk taking. Taking risks, albeit calculated risks, is essential for organizations to change and be innovative.

Classic managerial methods of past decades, such as total quality management, are now giving way to a trend of management by data. However, I would caution that extensively analyzing historical data is not sufficient without complementing descriptive data with predictive information. The absence of reliable foresight explains why companies seem invulnerable one minute and aimless the next. An important competence that will be key to an organization's performance: a combination of forecasting and risk management. ■

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For companies with complex customer transactions and interactions between systems, an opportunity exists to identify money “left on the table.”

By Anthony Choe

Recognizing revenue

All companies today are faced with the need to increase revenue and reduce costs. This is difficult at the best of times, let alone under today’s global economic environment. Companies are seeking faster return on investments and self-funding initiatives. In the case of companies with complex customer transactions and even more complex interactions between systems, an opportunity exists to identify money “left on the table.” On the converse, there could be instances where customers are overcharged for the services received, which can result in losing a customer, negative publicity or worse.

Revenue unrecognized

There are many examples of how revenue goes unrecognized – they range from services that are provided, but not charged; to the inability to identify and reconcile contradictory information to determine whether there is lost revenue.

All companies today are faced with the need to increase revenue and reduce costs.

For telecommunications companies, revenue leakage can be caused by a variety of problems — loss of data, inconsistent representations of customer or service information across different systems, differences in services provided versus actually invoiced, invoicing system errors, rating/prepaid charging errors, fraud, poor processes, incorrectly applying new offerings of products and services and incomplete, inconsistent, or incorrect data across

systems. It is estimated that revenue leakage could range from 10 to 12 per cent of revenue with industry wide annual losses amounting to over \$150 billion.

With the financial potential that revenue assurance offers, the ability to identify and determine the causes for revenue leakages is certainly appealing. From there, applying the Pareto principle to determine 20 per cent of the causes to rectify 80 per cent of the “revenue loss effects” is even more compelling.

System requirements

The decision to move to a new revenue assurance capability for the telecommunications company in this case study was largely due to the inability to analyze low-level and detailed information beyond trending information to determine the potential causes for revenue leakage. Further, they were unable to look at the entire lifecycle of a record as it made its way through the various systems compounded by a manually intensive process with more time spent compiling and comparing reports versus performing actual analysis. Consequently, a new system was needed to include the following:

- Analytics (e.g. detailed reconciliation, root cause analysis, drill-downs, trending, search);
- Data Management (e.g. file types supported, number of parallel processes, storage);
- Workflow (e.g. assign, manage, track, status);
- Definitions (e.g. data feeds, rules, reports, alerts, key performance indicators);
- Scheduling and monitoring (e.g. schedule file arrival, schedule file processing);
- Reporting (e.g. standard reports, custom reports, modification);
- Administrative and maintenance (e.g. setting up users, personalization, security).

leakage





Implementation

The telecommunications company selected two vendors to form a partnership and implement a solution to enable the identification, investigation, management, measurement and resolution of revenue leakage to directly improve the bottom line.

The initiative was structured as a program (defined as a portfolio of projects with the same overall objective) with initial priorities outlined across the various lines of business. While the program is ongoing, the initial focus was in the area of usage revenue assurance (e.g. mobile calls, SMS, etc.) in one line of business followed by configuration revenue assurance (e.g. reconciliation of network information to billing systems) in a second line of business. Work currently continues around business case development to secure follow-on phases of the program across the rest of the organization.

The team was comprised of local, partner and offshore resources including India. India was leveraged to minimize the costs to the client with the objective of taking on more responsibility as the program progressed to reduce the relative cost of future projects. The plan was aggressive as timelines were unchanged even with less experienced resources. As such, one key investment was to invest in a key technical person for a month at the partner's location to ensure daily knowledge transfer with hands-on exposure to the project. This investment paid off, as this resource was then able to transfer knowledge to the extended team including application support.

Clients expect high-quality, the lowest possible cost and aggressive timelines.

There were many lessons learned from this engagement that can be applied to any company considering the option of pursuing an initiative to reduce revenue leakage. As one might imagine, a revenue assurance initiative includes massive amounts of data being ingested, manipulated and compared across many systems. Further, the ability to link data from one source to another source needs to be well understood to facilitate the required comparative analysis. As such, it is important to truly understand the required environments and hardware infrastructure required to support the required retention of data and parallel projects. It is prudent to err on the side of providing more environments and hardware, which in turn impacts the amount of time available to conduct analysis and take corrective actions. In addition, the longer-term hardware needs should be considered versus funding for the immediate needs of the immediate project. This implies a burden to the initial projects, but is well worth the investment.

With many files and records being processed particularly in the case of usage, there were more file related issues than expected once the application went live. File issues included missing files, corrupt files, late files, empty files, error files and

low file counts. Depending on the amount of time available to conduct the analysis and given the potential volume of issues, it is important to implement well-thought out processes to address such issues.

There are many key roles within a program of this type. One key role belongs to the “client IT solution prime” — the individual who is the lead technical resource and has a deep understanding of the various systems involved including the data contained within. Every company is unique and has unique systems and corresponding data. As such, a client prime with deep business and system knowledge is essential.

In addition, proper training that is well timed especially if you don't know the system is essential. Training should be provided to both the business users and the IT organization that includes front-end “familiarization” training around the capabilities of the system, face-to-face support during user acceptance testing and back-end implementation specific training that uses your actual data. It is also important to understand the product roadmap, the ability to influence it and the associated process in order to support future and “unexpected” requirements.

It is essential to select a partner that has a vested interest in the success of the project that is willing to invest where required to ensure the success of the program (e.g. investing in training, development of assets that could be reused at other clients, etc.).

Another lesson that is applicable to any program is having clear communications and expectations throughout the entire project lifecycle especially when the solution is unfamiliar to you. Every phase must be clearly defined with clarity around expected inputs, prerequisite preparatory materials and outputs and the required roles and responsibilities of each party. Further, for the corresponding work product or deliverables that are produced through each phase, each party should be clear about what each deliverable will contain and to what detail.

Clients expect high-quality, the lowest possible cost and aggressive timelines. But once the scope and cost are locked in, vendors must be careful about becoming “too creative” and optimistic about timelines

In the end, the telecommunications client came out with the ability to spend more time performing detailed analysis efficiently and identifying and addressing specific causes of leakage through greater visibility into detailed records and trending analysis to determine patterns and root causes to reconcile discrepancies. ■

Anthony Choe is a business development executive for telecommunications and media/entertainment sector leader for Canada at IBM Canada Ltd.



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the big picture

Darcy Boyce's CMA training plays an important role in helping him shape government policies.

By Andrew Brooks

As someone who has always felt most at home when he has a big-picture view of things, Darcy Boyce is in just the right place. As a member of the Senate of Barbados and the Minister of State in the Ministry of Finance with special responsibility for finance, investments, telecommunications and energy, he has a unique opportunity to put his training and experience to good use in steering the nation's financial strategies.

Over the years, Boyce has worked as an economist with the Caribbean Development Bank, a director of Coopers and Lybrand Associates, executive director of the Agricultural Venture Trust, partner in charge of management consulting at KPMG, deputy governor — Operations of the Central Bank of Barbados, coordinator of the Barbados Private Sector Agency and CEO of the Barbados Tourism Investment Inc., in addition to serving on the boards of directors of several private sector companies.

That journey started with a BSc (first class honours) in economics from the University of the West Indies in 1974. After following up in 1979 with an MBA in finance from the University of Toronto, Boyce earned his CMA designation from The Certified Management Accountants of Ontario in 1984, and is now a member of the regional office for CMA Nova Scotia, Bermuda, and the Caribbean.

"I wanted accountancy training to go along with my economics and finance studies," Boyce says. "I felt the CMA would fit with management rather than 'straight' auditing." Boyce has always had an interest in what you might call "applied accounting" — being able to understand financial statements in great detail, but applying that information directly in the management of an organization. He also appreciates the ability to determine what kinds of information can be derived from an accounting system to improve how an organization operates.

"One thing I found very useful about the CMA training," he says, "is that you know the little things to look for in the accounting statements of a company to make projections. I found this very useful for doing valuations and prospectus work."

Now that he's in government, the CMA training has proved its worth again in enabling Boyce to adapt to the public-sector shift from cash accounting to accrual accounting, a step that many governments around the world have made to bring their financial operations more in line with the norms of the private sector.

"The training helps very much," Boyce says. "It helps me interpret and make judgements about how to treat varied transactions as they come forward — transactions that you don't normally see in the normal course of your work."

Boyce started out in the quasi-public sector, working for the Caribbean Development Bank as an economist from 1974 to 1977, and then for the Central Bank of Barbados from 1979 to 1983. He then worked closely with Systems Caribbean Ltd., an IT and management consulting company, in addition to other regional clients.

Boyce moved to Coopers & Lybrand a year later as a senior consultant/director, providing economic, financial

“I’ve helped the government to ensure there are plans ready so that we can begin to move quickly when the world economy recovers — or, preferably, even before it recovers.”

and accounting analysis to clients around the Eastern Caribbean. In 1988, he signed on as executive director of the Agricultural Development Trust, funded by the U.S. Agency for International Development (USAID), and which provided financial and management support to help new businesses in non-traditional agriculture.

In 1993 Boyce became partner-in-charge — Consulting with KPMG. Here he marketed KPMG’s consulting services, prepared proposals and managed consulting assignments, and provided consultancy services in economic analysis, financial analysis, strategy formulation, institutional strengthening and business restructuring. Two years before joining KPMG and for the period at KPMG, Boyce also functioned as the Coordinator of the Barbados Private Sector Agency. There he led the Barbados private sector efforts in negotiating and operationalising Barbados’ first social partnership arrangements which helped Barbados through its difficult economic times of the early nineties and provided for a regularised system of ongoing consultations between the government, the private sector and the unions on matters of national importance.

Back to the public sector

After seven years at KPMG, Boyce had made up his mind to go into smaller, boutique consulting work. But fate intervened. “In 1999 a long-time colleague of mine was appointed governor of the Central Bank of Barbados. She was supposed to have two deputy governors to help her out, but instead she had none. So she asked me to come back to give her a hand.”

The stay was supposed to be for two years only, but stretched to four. Some of the work that Boyce was involved in as deputy governor, operations, included moving the bank to an automated clearing house system and a real time gross settlement system. “This latter system enabled banks to settle large transactions between each other on the same day, and did the same for banking customers,” Boyce says.

In 2004 another former colleague who was chairman of the Barbados Tourism and Investment Corp. (BTI) asked Boyce to come over to that institution. The country was preparing for the ICC Cricket World Cup in 2007 and some major projects had to get delivered on time to make the event a success. “I felt that because I had earlier recommended the establishment of BTI, I couldn’t really say no,” Boyce says.

In 2008 Boyce was tapped for a Senate posting, and also took up duties as Minister of State for finance, investment, telecommunications and energy, turning his back on significant work offers from the private sector and on his private sector directorships. Boyce believes that his work during the seven and a half years starting with the appointment, with the Central Bank and then with BTI, prefigured his re-entry into a public-sector role.

“The Central Bank is a quasi-governmental organization, which is tasked with looking after governmental monetary policy, as well as looking into the way the government is operated,” Boyce says. “So that experience familiarized me with public-sector work.” His duties at BTI entailed dealing regularly with the Ministry of Finance to secure project funding, and then following governmental performance requirements governing disbursement of funds and the management and delivery of projects.

Boyce entered public life at a difficult time. Barbados was reeling from the global economic crisis, experiencing a sharp decline in economic growth, a rise in unemployment, and declining tourism and foreign investment. “We have a market where foreign nationals buy a lot of real estate in the country,” Boyce explains. “Of course when the capital markets were hit, a lot of that spending dried up.”

Boyce describes himself as a “technician,” brought into government for his understanding of the private, public and quasi-public sectors. That interdisciplinary background is paralleled by his wide-ranging education and experience, a rare combination that enables Boyce to bring a holistic perspective to policy making.

Boyce was closely involved in steering economic and fiscal policy in response to the crisis. “We took the decision to keep unemployment as low as possible,” he says. “The feeling was that if we let it get too high, consumer spending would fall enough to cause an implosion.” So the government ran a larger-than-normal deficit, although it did increase spending on tourism and the country’s social safety net. Boyce says that things are now improving, slowly, but surely.

“My job has been to project scenarios out 12, 18, 24 months,” Boyce says, “so we can plan for them, and get through the rough times. I’ve helped the government to ensure there are plans ready so that we can begin to move quickly when the world economy recovers – or, preferably, even before it recovers.”

Boyce says his main motivation throughout his career has been to make a contribution, to improve the organizations he works for. “I always try to think outside the box. I want to take whatever opportunities I can to foresee dangers or opportunities, and to try to do what I can to prepare for them now.

“That would be it: doing the preparation, thinking outside the box – and making a contribution.” ■

Andrew Brooks is a Toronto-based freelance writer and editor.



Controlling wireless costs

The wireless revolution has made employees more productive, but at a cost — many companies are finding that telecommunications is one of their largest expenses.



By Jacob Stoller

Telecommunication costs used to be simple. An office administrator would review the phone bill, check for inconsistencies, and ensure it was paid. Discrepancies, if any, were addressed with the employee; the wireless user. If there was an error, it wasn't a big deal.

Mobile cost management, therefore, might be best handled under the umbrella of a mobile management policy.

The phone bill was just another office expense. Today, thanks to the proliferation of smart phones and other wireless devices, telecom has become one of the largest corporate expenses, comprising half or more of many technology budgets. The costs are not unjustified — companies recognize that wireless has brought value through higher productivity,

faster decision making and a host of other benefits. Many organizations, however, are paying more than they should.

“Companies have grown over the last decade, and they made sure their inventory, accounting, and HR systems were in place,” George Gill, president of Gill Solutions, a Peterborough, Ont. – based consulting firm specializing in telecommunications expense management, says. “Unfortunately, most companies forgot about wireless and now they are dealing with a big mess of multiple accounts,” he adds.

The complexity of wireless costs has made it difficult for them to handle. “When you're dealing with wireless, you're dealing with a whole other animal,” he says. “There are many variables to consider, especially when you're dealing with a cost-per-minute or cost-per-use plan with multiple users.”

The telecom providers are not making things any easier. Plans are complex and difficult to understand, making expenses difficult to evaluate on a comparative basis. “Sometimes it's very difficult for a single user to understand price plans,” Tony Olvet, vice-president of research, IDC Canada, says.

Consequently, there's a lot of money on the table, and companies are starting to take note. A service industry called TEM (telecommunications expense management) evolved as a result. These companies, often with the



help of software tools, routinely save their customers one-third or more on their total spend.

While monitoring telecommunications costs can get pretty sophisticated, several companies continue to manage costs on their own. Roger Yang, president of Avema Corporation, a Toronto-based software and services company specializing in telecommunications expense management, estimates that companies can trim five to 10 per cent of their telecom costs by simply reviewing them regularly. “Every company needs an internal or external person reviewing telecom expenses on an ongoing basis, if not, periodically. If you don’t have someone responsible for this task, you’re just throwing money away,” he says. When it comes to finding savings, there are plenty of places to look:

“Every company needs an internal or external person reviewing telecom expenses on an ongoing basis, if not, periodically. If you don’t have someone responsible for this task, you’re just throwing money away.” — Roger Yang, president, Avema Corporation

Unjustified billing: Carriers can make mistakes. Analysts have estimated that five to 10 per cent of a typical carrier bill is for services that were not delivered. A typical example is the cancelled phone that the carrier neglects to remove from the bill. “We’ve had clients that have been paying for disconnected circuits for years,” Yang says.

Lack of consolidation: In many companies, wireless devices were acquired on an ad hoc basis, each on an individual billing that gets charged to the employee’s expense report. Even a small company might have dozens of accounts with several different carriers. When companies switch from individual to pooled accounts, it’s not unusual to save 30 per cent, even for smaller companies. Furthermore, the volume gives companies more leverage when negotiating the best deal.

Hardware: Smart phones are not cheap — some are approaching the price of a laptop — and with changing technology, they are frequently purchased. “On average, hardware only lasts a year and a half,” Gill says. “There’s more concern over hardware acquisition.”

Excessive use: The adage “waste not, want not” is widely practiced today — except when it comes to telecom. Often, this is an awareness issue. “We send e-mails out to managers and users so they can see how much things actually cost,” Yang says. “One of our clients, for example, was spending \$15,000 a month on international roaming costs. Once we implemented the e-mail report to managers and users, the cost went down to \$5,000 a month. Users need to be more aware of how much it actually costs to use the phone when they’re roaming.”

Inappropriate use: Sometimes abuse involves deliberate activities such as non-business usage and downloading inappropriate materials. “We’ve seen clients with users who have 5000 text messages a month,” Yang says. The dollar values here could be relatively minor, but the usage patterns could uncover other issues. “This brings up the question, ‘What are they doing with their time?’ ” Yang says. Automated monitoring is important. “There are tools like ours that automatically find these things,” Yang adds. “Otherwise, if you have a bill that’s thousands of pages, you might not notice it.”

Reining in wireless costs can be a delicate matter because people, understandably, feel proprietary about a device they carry with them 24-hours a day. Employees, therefore, may see any monitoring of their device as an intrusion.

Close monitoring of wireless devices, however, is essential for an even more important reason. Because each wireless device represents an access point to the company network, the potential security risk of unmonitored devices is unacceptable in many companies. Wireless cost management, therefore, might be best handled under the umbrella of a wireless management policy. Furthermore, there are some overlapping issues — an individual who doesn’t really need a smart phone could be posing an undue security risk as well as an unjustified expense.

As technology changes, telecom providers, according to Olvet, are likely to make their billing formats easier to understand. “I think the industry has woken up to that,” says Olvet, “partly from customer feedback, and partly because they are seeing new carriers entering the market and saying, ‘we’re going to make this simple and transparent.’ ” He also sees carriers helping their customers use their services more effectively. “Customers are asking carriers for input. This needs to happen more often.” ■

Jacob Stoller (jacob@stollerstrategies.com) is a Toronto-based independent writer and researcher.

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Bank of Canada celebrates 75 years

Despite ups and downs, Bank of Canada continues to promote economic stability.



By John Cooper

Dominating a portion of downtown Ottawa's financial district, the Bank of Canada is a block of old-style granite surrounded by a sweeping expanse of modern glass and steel. At 75 years old, the building's blend of old and new architecture represents the storied changes between its creation in response to Depression-era need and its modern role of transparency and high-speed decision making as it oversees Canada's national banking responsibilities in the 21st century.

A pioneering financial institution, it has learned from its mistakes while enjoying successes that became business standards. On the Bank's anniversary in March, current governor Mark Carney told a group of Carleton University students, "the Bank is a learning organization ... our work is grounded in academia, honed by analysis, and disciplined by an unrelenting focus on our mandate."

Responsible for monetary policy, bank notes, financial systems and funds management, the Bank of Canada promotes the country's economic and financial welfare.

Although discussion of a central bank began in 1913, its roots are in the Depression's financial woes that triggered its creation in 1934, its 1935 opening (as a privately-owned corporation) and its conversion to a Crown corporation in 1938.

Pre-Depression, Canadian banking was a stable enterprise. The Canadian Bankers Association worked with the federal government to regulate the industry; banks issued their own currency (with the exception of large and small denomination bank notes, then the purview of the federal department of finance). In contrast to the U.S. trend of independent local banks supported by large population clusters in established communities, Canada had a limited number of banks with multiple branches. Branch banks met Canada's needs for almost a century, providing circulating notes, meeting unexpected demands and handling government business.

Things changed during the Depression. According to James Powell in *A History of the Canadian Dollar*, a monetary policy vacuum left the government ill-prepared to manage economic troubles. "The banks became increasingly cautious about their own lending activities as the economic



environment deteriorated,” Powell said. The public blamed the banks for the Depression; the money supply dwindled and deflation set in. There was no end in sight and the Canadian government was pressured to take action. Faced with lack of confidence in the federal Finance Act, distrust of the banks and reduced crop yields and prices for farmers, public optimism was high that “a central bank would be a source of steady and cheap credit,” he said. Manufacturers supported farmers in their call for a central bank.

The Bank opens its doors

Prime Minister R.B. Bennett set things in motion with a 1933 Royal Commission favouring a central bank. The government was enthusiastic, but not many of the major banks, citing potential for lost profits, concerns over long-time stability and a perceived shortage of financial expertise. Regardless, the Bank of Canada Act received Royal Assent in 1934 and the central bank began operations in March 1935, with a mandate “to regulate credit and currency in the best interests of the economic life of the nation.” Private bank notes were soon phased out; Bank of Canada notes became the norm and the Exchange Fund Act was created to control and protect the dollar’s external value. In 1938, it became a public entity, incorporating operations previously scattered around federal departments. A research division was created to provide information on financial issues in Canada and abroad.

Prime Minister R.B. Bennett set things in motion with a 1933 Royal Commission favouring a central bank.

Paul Masson, a research fellow and professor at the Rotman School who worked at the Bank during the 1970s and early 1980s, recalls some exciting times.

“There was a push in economic modeling and there were a number of very good economists there ... the Bank is a great place to learn the craft of economics,” Masson said. “I think the Bank was the first to recognize that the Bretton Woods system (established in 1944 as a means of governing monetary relations between nations) was coming apart. The late '70s and early '80s were a more difficult period. The Bank was faced (with) a very tight U.S. monetary policy that it was forced to follow to some extent ... Canadian inflation remained stubbornly high despite the government’s wage/price controls. I feel that the trade-off between

The Bank’s stability is reflected in the often-lengthy service periods of its governors, beginning with Graham Towers, who served for 20 years and oversaw the introduction of bilingual bank notes (1937), the sale of Victory Bonds and War Savings Certificates (1940) and the launch of the Canada Savings Bonds payroll savings program (1946). Towers was followed by James Coyne (1955-1961) who oversaw the “managed” reduction of the Canadian dollar to 95 cents U.S. in 1961; Louis Rasminsky (1961-1973) who guided amendments to the Bank of Canada Act and Bank Act; Gerald Bouey (1973-1987) who struggled to control interest rates in the early 1980s; John Crow (1987-1994), responsible for operations during the 1987 “Black Monday” stock market panic, the discontinuance of the \$1 bill in 1989 and the introduction of the GST in 1991; Gordon Thiessen (1994-2001), who oversaw the Bank’s switch to an overnight rate as a key benchmark interest rate in 1994, a Canadian dollar low of 63.11 U.S. in 1998 and the bursting of the stock market bubble in 2000; David Dodge (2001-2008), witness to the U.S. sub-prime mortgage market woes and the onset of the global financial crisis in 2007.



inflation and unemployment came to roost then, and the Bank was subject to strong criticism whatever it did.”

For TD Bank chief economist Don Drummond, Crow’s embrace of price stability (where low inflation levels no longer affect people’s economic decisions) is a highlight.

“This came pretty much out of the blue in a speech in the late 1980s,” Drummond said. “He was considerably ahead of the times. Such talk is now standard religion for a central banker.” But acceptance came with a few stumbles. “Few knew what he meant by price stability. This confusion erupted when the Bank cut the interest rate leading into the 1990-91 recession. The dollar tanked because inflation was far from zero and markets were confused as to the Bank’s objectives. This convinced me the government needed to strike an agreement with the Bank on what the inflation objectives were.” Inflation targeting was established in 1991, followed by increased transparency in communications that accelerated under both Thiessen and Dodge.

Long-term prosperity

Carney shepherded the Bank through the 2008 financial meltdown, the recession and the bailout of Chrysler and General Motors by federal and provincial governments. Late last year, while addressing the reform agenda of the Group of Twenty, Carney spoke of the G-20 objective to establish a flexible global financial system supporting worldwide economic growth, with the ability to absorb shocks to the global economy.

“The Bank of Canada strongly believes that our destination should be one where financial institutions and markets play critical – and complementary – roles to support long-term economic prosperity,” Carney said. “The financial system will be more stable if market infrastructure is substantially improved, products are more standardized and transparent,

and banks are adequately capitalized to fulfill their market-making and credit intermediation roles. Market forces should be left to determine the relative sizes and boundaries of the banking and market sectors. In doing so, markets can discipline banks by furnishing necessary competition.”

Carney said the reform approach must protect banks from the economic cycle and the economic cycle from the banks, with “more capital, higher liquidity, and better risk management ... (and) building a system that can withstand the failure of any single financial institution and is buttressed by resilient markets.”

“The Bank of Canada strongly believes that our destination should be one where financial institutions and markets play critical — and complementary — roles to support long-term economic prosperity.” —

**Mark Carney, governor,
Bank of Canada**

According to Drummond, the Bank “responded very competently during the recent recession ... we know what to do in upcoming reforms: raise capital requirements for U.S. and European banks and require yet higher still capital to be held against risky operations and products. The tricky part is ‘political.’ How do we find a way to get the relevant countries to agree? Hopefully the G-20 will be the ticket. I am proud as a Canadian to see our Bank of Canada and our government playing a leading role in this difficult process.”

What a difference from 30 years ago, when Bank policy was being questioned, Masson adds. Today, its focus on research and its role in pioneering flexible exchange rates and inflation targeting puts it on top. In the past, “one got the feeling that the Bank did not have all the tools necessary to achieve all the things that were expected of it. With a more reasonable fiscal policy and more limited government deficits, I don’t think this is true now, and the Bank is rightly viewed as a solid macroeconomic anchor for the Canadian economy.” ■

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

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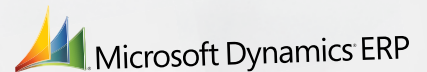
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