

# CMA magazine

THE VOICE OF MANAGEMENT ACCOUNTING  
WWW.CMAMAGAZINE.CA



SEPTEMBER/OCTOBER 2011

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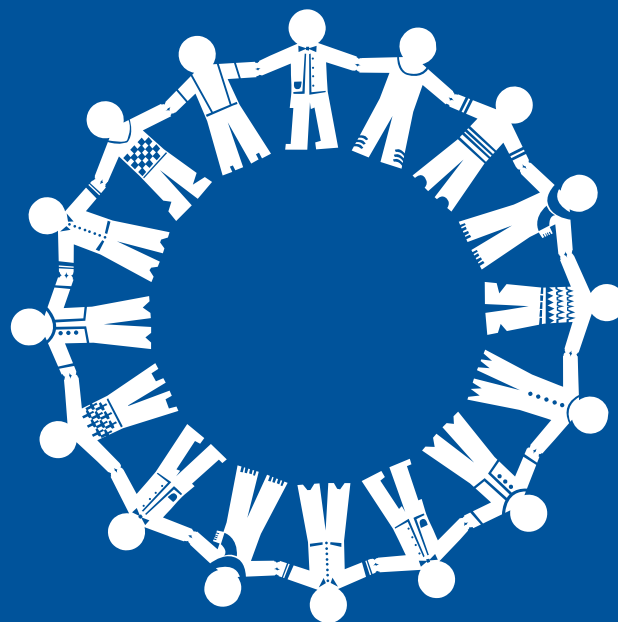


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## A five-year-old on my street recently announced to her parents that she doesn't need to go back to school

because she “already learned everything in kindergarten.” Amazing. And she hasn't even read the book!\*

Ours is a downsized world of multiple responsibilities, evolving technologies (if you can't manage email, how will you manage social media?), overlapping titles (a colleague calls himself CEO, COO, CFO, CMO and C-3PO of his company, with all but the last essentially true) and strings of designations (CMA, plus...).

For all that we learned in kindergarten, back-to-school comes back to us every fall. Part of it is intrinsic to our jobs: we need professional development to meet annual goals or retain a designation. But it's just as much or even more so about maintaining a competitive edge, progressing toward our dreams and opening doors for change.

In my world of editing and writing, professional development (PD) is part of the job description. It improves my craft (a national publications conference is an annual pilgrimage) and adds to the understanding of content I'm compiling or creating.

No surprise that several conferences aimed at CMAs which I attended in the spring provided both inspiration and content for the magazine, and this issue specifically.

A super-charged change workshop led by **Peggy Grall** gave rise to “Gut Check” (page 22). And while **Brett Knowles** was already working on his three-part series (see Part 2, “Perfect Alignment,” on page 26), conversations with CMAs attending his talk provided questions the author could address in his article as well as inspiration for graphics.

Meanwhile “Onward and Upward” (page 30) explores the whole issue of PD through the stories of four CMAs. What's your dream? Where do you hope your designation will take you?

As always, please send us your thoughts. And think of your feedback as *CMA magazine's* PD.

Enjoy the issue!

**Mara Gulens**

Director, Publications/Editor-in-Chief  
mgulens@cma-canada.org



\*All I Really Need to Know I Learned in Kindergarten  
(1988) by Robert Fulghum



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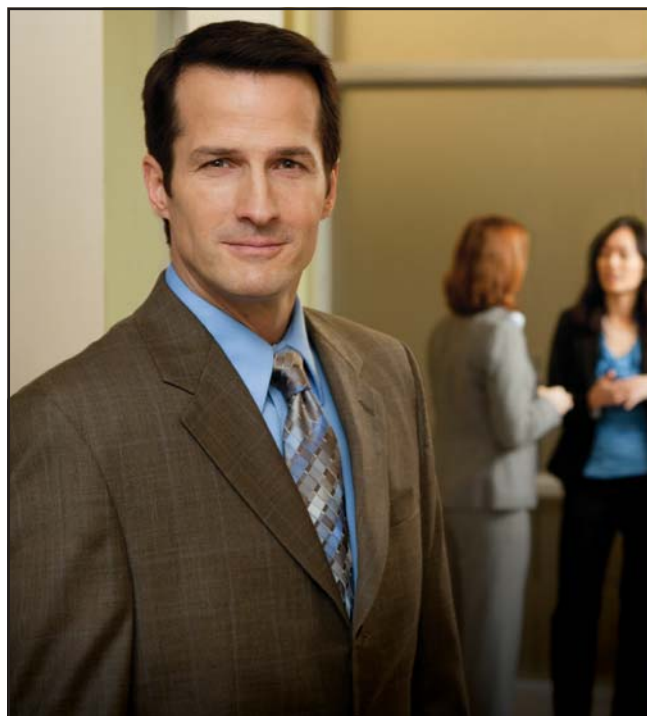
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# Management Accounting Guidelines

Industry-recognized thought leadership

<b>STRATEGIC MANAGEMENT</b>	<b>Date Published</b>
Scenario Planning: Plotting a Course Through an Uncertain World	May 2010
Divestitures	July 2009
Evidence-based Decision Making: Using Business Intelligence to Drive Value	July 2009
Implementing Process Based Management in Organizations	July 2009
Using Strategy Maps to Drive Performance in the Not-For-Profit Sectors	June 2008
Using Strategy Maps to Drive Performance	December 2007
Outsourcing the Finance and Accounting Functions	September 2007
Strategic Management of Information for Boards	July 2007
<b>RISK MANAGEMENT AND GOVERNANCE</b>	
Financial Risk Management for Management Accountants	February 2009
Managing Opportunities and Risks	March 2008
Identifying, Measuring, and Managing Organizational Risk for Improved Performance	July 2007
Integrating Social and Political Risk into Management Decision Making	July 2007
The Reporting of Organizational Risks for Internal and External Decision Making	December 2006
Business Continuity Management	November 2006
<b>PERFORMANCE MANAGEMENT</b>	
The Performance Management Maturity Framework	January 2011
Environmental Sustainability: Tools and Techniques	February 2010
Supply Chain Management Accounting	August 2009
Impacting Future Value: How to Manage Your Intellectual Capital	July 2008
<b>PERFORMANCE MEASUREMENT</b>	
Designing and Implementing a Performance Measurement System	April 2010
Performance Measurement of Not-For-Profit Organizations	May 2009
Evaluating the Effectiveness of Internet Marketing Initiatives	May 2007
Evaluating Performance in Information Technology	January 2005
Customer Profitability Analysis	January 2000

Management Accounting Guidelines (MAG\*s) are publications that advocate appropriate practices for specific management accounting situations. Each publication addresses current and financial management challenges and provides practical implementation guidance. Some MAGs are produced in association with the American Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.



The CMA website has all of the existing MAGs available for download by members, at no charge. Non-members will be able to purchase the publications at a nominal cost.

[www.cma-canada.org/foundation](http://www.cma-canada.org/foundation)

# Your letters, please

Henceforth, our letter-of-the-month writer will receive a leather-bound notepad and pen imprinted with the CMA logo. Keep those letters coming!



While I'm finding everything in the Noteworthy section of the magazine helpful and relevant, I was pleasantly surprised to find a link for the tools required for scenario planning ("Crisis! What Do You Do?" July/August).

When I followed the link, it brought me to a whole new section of the CMA Canada website I never knew existed. What an amazing resource I've been missing out on!

–Errin Mechler, CMA  
Delta, B.C.

## Get a head start!

In the July/August issue, we asked you to advise CMAs beginning their careers. Here's what you said:

- > "Become the go-to person and continue building your network of CMA contacts."
- > "Utilize CMA Canada's career services."
- > "Look for people who are respected in your organization and learn from them. Don't assume you know all the answers, and listen to all points of view. Entirely new solutions can often arise from completely disparate points of view."
- > "Leverage your CMA skills in every aspect of the organization."
- > "You have completed an excellent education program. Don't forget what you've learned along the way. Apply it constantly, and represent your profession in an ethical and upstanding manner. Be a good team player!"

**Our response:** *The link is to the Research Foundation's Management Accounting Guidelines (MAGs) page: [www.cma-canada.org\MAGS.htm](http://www.cma-canada.org\MAGS.htm).*

*Stay tuned for news about the Research Foundation's forthcoming website. It will include Management Accounting Practices (MAPs), webinars and other goodies for CMAs.*

Although I like the magazine's online interface, I find printouts are very small and difficult to read. Is there a mechanism to print in a larger font or to transfer into another format?

Great job on realignment.  
–Susan Kilbank  
Ottawa, Ont.

**Our response:** *We're looking into it, Susan! Check this page for updates in future issues.*

I like the new look. It has a crisp, professional, no-nonsense appearance.  
–Austin Cabral, CMA  
Delta, B.C.

The magazine is looking super. I love the way it flows, and I find myself reading it so much more.  
–Travis Lindgren, CMA, MBA  
Ottawa, Ont.

## What do you think? When I tell people I'm a CMA,

- a) I must explain the difference between CMA, CA and CGA
- b) they know exactly what a CMA is
- c) I just say I'm an accountant

Let us know at  
[magazinesurveys@cma-canada.org](mailto:magazinesurveys@cma-canada.org)  
or respond online at  
[www.cmamagazine.ca](http://www.cmamagazine.ca)

## CMA welcomes letters to the editor

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Email: [letters.editor@cma-canada.org](mailto:letters.editor@cma-canada.org)  
Letters may be edited for clarity and brevity.



# New and relevant

## INNOVATION

### What's the big idea?

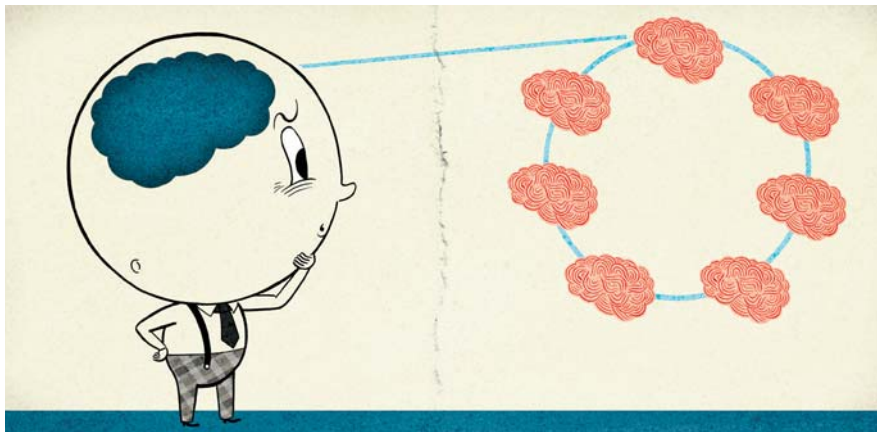
While Canada recovers from the recession, the long-term challenge remains raising productivity. According to *Canada's Innovation Imperative*, a report newly published by Toronto's Institute for Competitiveness and Prosperity, raising productivity is synonymous with improving innovation and performance.

"Canada has many of the building blocks to achieve our full prosperity, productivity and innovation potential," says Roger Martin, chairman of the institute and dean of the Joseph L. Rotman School of Management at the University of Toronto. "We need to put them together for the benefit of ourselves and future generations."

In Toronto, Martin will appear at CMA Ontario's BIGiDEAS 2011 conference (Oct. 19-20). He will be joined by Malcolm Gladwell, author of *The Tipping Point*, *Outliers* and *What the Dog Saw*, to deliver new perspectives on innovation, thinking adjustment and strategy building. Attendees will also hear from the following guests:

- **Patricia Lovett-Reid**, senior VP, TD Waterhouse Canada Inc.
- **Bob Willard**, author of *The Sustainability Advantage*
- **Derek Burleton**, AVP and senior economist, Sectoral Studies, Regional Markets and Public Policy, TD Bank Financial Group
- **Arlene Dickinson**, CBC's *Dragons' Den*, CEO, Venture Communications
- **Steve Paikin**, TVO's *The Agenda*

To register, visit [www.pdi-cma.com/BIGiDEAS2011](http://www.pdi-cma.com/BIGiDEAS2011).



## JOB INTERVIEWS

### And then they asked me . . .

Glassdoor.com, an online job community that allows job seekers to anonymously post information about salary details and company review and interview questions, compiled a list of job interview questions that prominent companies have asked candidates:

**Google:** You're climbing a staircase. Each time you can take either one step or two. The staircase has  $n$  steps. In how many distinct ways can you climb the staircase?

**Capital One:** How do you evaluate Subway's five-foot-long sub policy?

**Towers Watson:** Estimate how many planes are in the sky.

**Lubin Lawrence:** If you could describe Hershey, Godiva and Dove chocolate as people, how would you describe them?

**Jane Street Capital:** What is the smallest number divisible by 225 that consists of all 1's and 0's?



## STRATEGIC MOVES

### Transforming number crunchers into strategic players

CFOs must move beyond technical financial responsibilities to take on more strategic roles, says *Beyond the Numbers: The Evolving Leadership Role of the CFO*, a study conducted by the Canadian Financial Executives Research Foundation (CFERF), the research department of Financial Executives International Canada.

While CFOs already have financial, compliance and regulatory responsibilities, the study found they are increasingly expected to support executive decision making and act as strategic leaders. Factors driving the role expansion include the growing complexity and competitiveness of business, the increased time spent on government and regulatory compliance issues, and the need to find and retain the best talent.

The study suggests CFOs upgrade talent within their teams, spend more time with customers to get a broader understanding of their organizations, and work with business leaders and COOs to develop strategy. For the full report, visit [www.feicanada.org](http://www.feicanada.org).

A related Emerging Issue Paper — *Forecasting the Future Role of the Management Accountant* — created by CMA Canada's Research Foundation discusses the role of the management accountant in 2020 and is available at [www.cma-canada.org](http://www.cma-canada.org) under business resources.



## LEADING THE WAY

### Fostering innovation in Canada

Harnessing an excellent talent pool is the key to lifting Canada into the top tier of innovation leaders, says a report released by Canada's Science, Technology and Innovation Council (STIC).

The report, entitled *State of the Nation 2010: Imagination to Innovation*, says Canada has a strong talent pool and robust public research. However, the country's two main challenges are increasing private-sector investment in innovation and improving the transfer of knowledge into the marketplace.

"Canada's biggest opportunity lies in our excellent talent pool. We score very highly in a number of education-related indicators. The challenge is in how companies and government can deploy and empower our people so we can win in the knowledge economy," says Dr. Howard Alper, STIC's chair.

#### Canada's strengths:

- > Talent — especially in science, math and reading
- > Funding for research and development and higher education

#### Canada's roadblocks:

- < Little collaboration among companies
- < Little collaboration between companies and researchers in universities, colleges and government labs

Download the report at [www.stic-csti.ca](http://www.stic-csti.ca).

## BUSINESS CHALLENGES

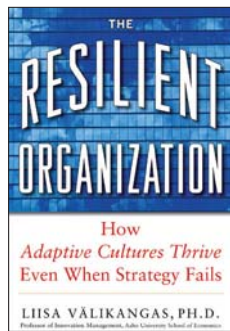
### Seven secrets for success

In today's business environment, small- and medium-sized practices (SMPs) face operational, market and regulatory challenges.

The International Federation of Accountants' (IFAC) SMP committee is collaborating with IFAC members, such as CMA Canada, to assist SMPs in alleviating these challenges.

One example of this collaboration is the sharing of resources and tools aimed at helping SMPs provide high-quality professional services. The recently released *How to Make Your Small Practice a Big Success* provides seven effective tips that SMPs can implement in their workplace, including developing a mission statement, vision and strategic plan, identifying an edge and carving a niche.

Giancarlo Attolini, deputy chair of the IFAC SMP committee, and Paul Thompson, deputy director of SME and SMP affairs, co-authored the work. To download a copy, visit [www.ifac.org](http://www.ifac.org) and click publications/resources.



### The Resilient Organization

What makes an organization resilient? Among author Liisa Välikangas's findings: resilient firms thrive by "being serendipitously sagacious." But they don't rely only on luck. Truly resilient firms allow themselves to generate new ideas and opportunities by having meetings — or "jams" — of like-minded volunteers or by social networking on Facebook.

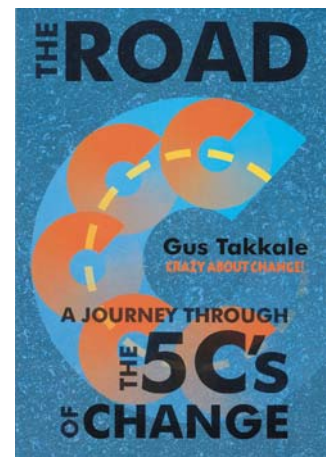
But there are barriers when a firm wishes to travel a resilient path to the future:

- cognitive challenges rooted in nostalgia and arrogance
- strategic challenges of allowing possible alternatives to current (dying) strategies
- political challenges of gaining support for testing new ideas
- ideological challenges of changing organizational culture

So how do resilient firms leap over these barriers? Välikangas suggests they create a culture that includes the value of rising to challenges ("Sisu" in Finnish). This organizational intelligence accommodates continuous questioning and a design that supports adaptation to new developments.

Välikangas writes in a positive, easy-reading style. She encourages readers to become resilient themselves and integrate resilience into their organizations. Most of all, she wants firms to survive and thrive in a world where change is often sudden and unexpected.

Author: **Liisa Välikangas** Publisher: **McGraw-Hill**  
Reviewer: **Patrick Buckley, CMA**



## BOOKS

### The Road: A Journey Through the 5 C's of Change

Gus Takkale wants to take you on a journey. Before you embark, he'll help you pack some tools that will show you how to raise your standards, believe in your competence, instill PHP (purpose, hunger and passion) and eliminate the e-word (excuses).

Now that you're equipped with your tools, *The Road* will take you on an adventurous journey through the five Cs: character, constructiveness, commitment, communication and contribution. Result? You'll learn to make the right decisions at the right times for a satisfying and successful personal life or career.

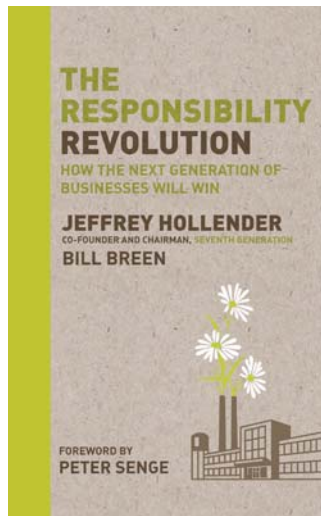
Author: **Gus Takkale**  
Publisher: **General Store Publishing House**  
Reviewer: **Andrea Civichino**

BOOKS

## The Responsibility Revolution: How the Next Generation of Businesses Will Win

Greenwashing occurs when an organization falsely claims to be environmentally responsible. How can a firm guard against greenwashing? According to Hollender and Breen, it's by following six principles:

- having a value-driven mission
- encouraging collaboration among employees and stakeholders
- being transparent to outsiders
- having integrity
- involving the community
- aligning values and actions



Jeffrey Hollender is an environmental guru who founded Seventh Generation, a packaged-goods firm for green consumers. He wrote *The Responsibility Revolution* to showcase the practices of companies that are environmentally and socially responsible.

One of the book's hidden themes is the impact of the Internet and Web 2.0 on corporate responsibility.

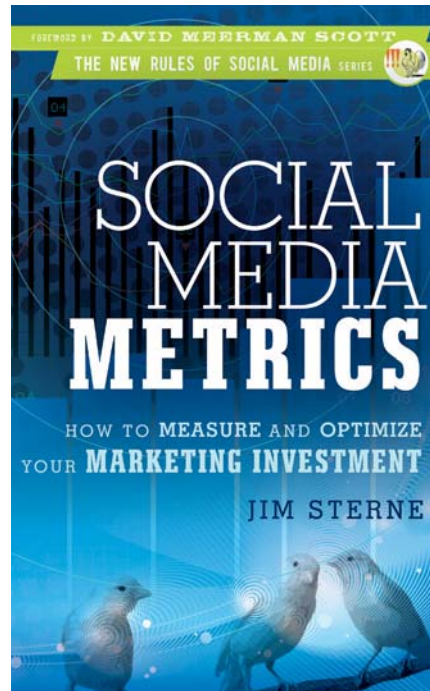
A few of the firms profiled fulfill the principles of transparency and authenticity by having websites that trace the environmentally responsible production of their products from raw materials to finished goods.

But the Web isn't simply a tool for promoting one's green efforts: it's also a tool that activists use to hold companies accountable. For example, a Google search might find that a firm is lobbying for fewer government regulations while launching a new green product.

Author: **Jeffrey Hollender** and **Bill Breen**

Publisher: **Jossey-Bass**

Reviewer: **Patrick Buckley**, CMA



## Social Media Metrics

Facebook, LinkedIn and Myspace are all fun to use, but are they of value to businesses? Jim Sterne helps answer this question in *Social Media Metrics*.

Sterne is an internationally respected expert and a founder of the Web Analytics Association. His book looks at how Web 2.0 can help businesses reach audiences and why social media users click web links. Sterne recommends methods for using these tools to persuade one's colleagues and managers of the value of social networking.

Members of social networks are rated on their behaviours of subscribing to a web-feed, actually reading it, being a fan and passing on the content to others. One insight of social networking research is that word-of-mouth by less loyal customers is valuable because these customers are more likely to share information with someone who is not familiar with the company's product or service.

Author: **Jim Sterne**

Publisher: **John Wiley**

Reviewer: **Patrick Buckley**, CMA

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# On the road to excellence

## Step by step to quality throughout the organization

By **Lianne Thompson**

**NEW EMPLOYEES AT CMA CANADA'S** national office are often surprised that their orientation includes an overview of the organization's commitment to quality and their role in improving it, not to mention a personal meeting with the CEO to learn about CMA Canada's strategy and organizational objectives.

CMA Canada has intentionally developed a culture of continuous improvement. Eight years ago, we formalized this commitment through partnership with the National Quality Institute (NQI), an independent, not-for-profit organization that helps advance organizational excellence across Canada.

NQI's Progressive Excellence Program (NQI PEP) provides organizations with detailed criteria and a four-level, structured approach to implementing quality principles company-wide.

Eight years might seem a long time to be on the road to quality. But that's the thing about organizational excellence: there's no quick fix or shortcut, and we've come to appreciate the progressive approach.

### Progressive excellence

Most recently, CMA Canada has been working toward NQI PEP Level 4 certification. As a result, we've been able to gradually cut costs, improve processes and reduce cycle times.

Within our walls, we've paid attention to the needs of our staff and provided them with the education and tools to improve processes and facilitate value-added change.

We have stringently captured and responded to the feedback of our

customer groups and used that information to improve programs, products and services. Externally we assessed our supplier and partner relationships to ensure these collaborative partnerships would deliver as required.

We have instituted best practice leadership and planning initiatives, including a comprehensive strategy mapping project. The resulting monthly review of progress toward our strategic objectives has provided direction and hard data to all staff in every department. It allows our teams to analyze results accurately and efficiently rather than depend on anecdotal evidence or rely on "how it's always been done."

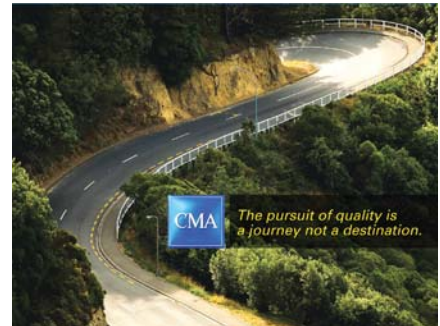
In the beginning, not everyone was confident about the quality journey. In a challenging, project-driven environment with multiple stakeholder groups, was it the best use of time and resources to enter such a program? The definitive results CMA Canada recently documented and provided to NQI confirm we're on the right road.



*In June 2011, CMA Canada was granted NQI PEP Level 4 certification*

*and met the requirements for a gold trophy within the prestigious Canada Awards for Excellence (CAE) program, which receives the vice-regal patronage of the Governor General. CMA Canada will be recognized at the CAE awards ceremony in Toronto this November. ■*

**Lianne Thompson** is the director of quality at CMA Canada.



This image guided CMA Canada's eight-year quality journey and appeared on the cover of the 78-page document submitted to NQI.



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“When I first read about *Mastering the Time Value of Money* I asked some fellow CMAs for a recommendation and received positive glowing responses. I must say the course was clear and concise and confirmed everything I was hoping it would be. It focused on areas that were applicable to both my job and personal life. Wonderful course. Can't wait to recommend it!”

*Joddi Goertzen, CMA*

*Accounting Manager, DynaVenture Corporation*

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# Recognizing revenue

## A new global reporting standard recognizes that timing is everything

### Proposed changes could enhance opportunities for analysis and planning

By **Louis Beaubien**, CMA

**GLOBALIZATION AFFECTS EVERYTHING**, including reporting standards. Now the International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) want to improve financial reporting by creating a single global principle-based standard for IFRS and U.S. GAAP that companies can apply across various industries and capital markets.

In June 2010, the IASB and FASB published the proposed revisions to standards *IAS 18 Revenue*, *IAS 11 Construction Contracts* and related interpretations. If the proposed standard is passed, companies will have to recognize revenue from contracts with customers at the time of the transfer of goods or services to their customers in the amount of consideration received, or expected.

Although the consensus supports the consolidation of diverse guidance on recognizing revenues, there remain areas of confusion and dissent in how a unifying standard might look and be applied.

#### Special attention to timing

Management accountants need to give special attention to the implications of the segmentation and timing of revenues in the proposed standard.

Consider Custom Trail Bikes Inc. (CTB), a company that focuses on custom trail bike assembly and manufacture. The company receives customer orders via telephone and the

Internet and ships the bikes directly to customers, allowing CTB to bypass intermediaries. CTB builds high-quality bikes and undercuts its competitors on price. The business has expanded in recent years to offer its products and services in high-end retail stores.

CTB's newest marketing success is the company's trail race package. Selling for \$1,000, the package includes a basic trail bike, a bike helmet and a one-day racing lesson. The three items are also sold separately for \$800, \$100 and \$150, respectively. CTB also regularly sells the bike and helmet together for \$850.

Contract segmentation requires that the discount be allocated only to the trail bike and helmet, and not to the lesson. The discount that a customer receives from purchasing the trail bike and helmet together (from \$900 to \$850) is independent of the purchase of the lesson.

In other words, if a customer were to purchase the bike and helmet package, and later purchase the lesson, the total cost would be the same as if the trail race package was purchased at one time.

#### More effective analysis

The purpose of revenue segmentation is to report the independence of pricing on multiple goods and services. In this case, CTB regularly sells two products in a single contract, and no significant discount for the customer



is earned through the purchase of the alternative second contract, which includes the same items as the first contract and an additional service, the riding lesson.

There will be no impact on net income, as costs remain the same and revenues will be allocated differently. However, there will be necessary alterations in CTB's information system to parse contracts in which discounts are made to all the components of the contract (i.e., the bike, the helmet, the lesson) and when the discount only applies to particular components of the contract. While these conditions may seem onerous, segmentation will allow for an effective analysis of pricing and marketing strategies.

The timing of revenue from the lesson is also important. If the riding lesson is to occur one month following the transaction date, CTB must recognize a contract liability of \$150, representing the obligation to provide the full service. Additionally, interest must be calculated on the effective financing contract established with the customer, and included in the liability.

If the discount rate is 6 per cent per annum, the interest for the month would be 75 cents. After the lesson is provided, revenue would be recognized in the amount of \$150.75.

While the details of the individual transaction at CTB appear minimal (75 cents on a transaction of \$150), the standard requires attention to the

scope and materiality of the transaction with respect to the business. If, for example, CTB offered lessons to 10,000 Canadians over a year, all of whom pay for six lessons (which occur one day per month, over the next six months) in advance, the materiality of the aggregate of these transactions may change.

## *The purpose of revenue segmentation is to report the independence of pricing on multiple goods and services.*

### **Changes to information systems**

To measure revenue timing, the information systems of CTB will need to be altered so that the effective rate of interest can be attributed to the liability and accrued as warranted.

However, if net income and the functioning of the information system are considered, the result will show the transaction interest charges and

income will net out. The accrual of interest on the liability will require additional financial controls to ensure that appropriate interest rates are applied and the timing of obligations (both recognition and satisfaction) is accurate to prevent errors in interest expense or income.

### **Where are the benefits?**

The new revenue recognition standard may appear burdensome to management accountants because it requires substantial changes to the information systems and control environments and may affect revenue reporting in terms of timing and segmentation.

While it might be tempting to perceive these changes as additional effort for very little gain, a great deal of benefit can be derived from new procedures established to meet the proposed standard.

Close attention to contractual obligations that arise from payments in advance (and the associated accrual of interest) will provide insight into financial planning of operations. Similarly, developing reporting and analytic procedures to better understand the pricing of products and services, and the contribution they make to the overall bottom line of the firm, can allow for better planning. ■

**Louis Beaubien, CMA, PhD, is an assistant professor of accounting at the Sobey School of Business at St. Mary's University in Halifax.**





## Risky business

### Managing today's emerging risks can give you a strategic advantage tomorrow

## How you can help position your company for success

By **Chris E. Thompson**

#### DEALING WITH EMERGING RISKS

is nothing new to CMAs. But today's world does make risk management challenging. There are more diverse risks to manage, from the growing reliance on Internet communications and explosive population growth to globalization which affects everything from the spread of disease to war to supply chain management. Risk management must now go beyond simply measuring and monitoring the unlikely.

#### Making a diagnosis

So how can we measure unseen problems and find the advantages that come from identifying and solving them? We must focus on addressing organizational, process and technology challenges.

To diagnose an organization's preparedness, we must first assess the maturity of its emerging risk management. Then we must weigh the process challenges.

How will emerging risks be identified? What is the reliability of the information used to predict the probability of a specific event? What is the decision process that determines when action is needed to mitigate emerging risks?

Finally, we can rely heavily on technology — specifically analytics — to identify emerging trends and monitor identified risks.

#### How does your organization stack up?

Emerging risks are difficult to predict and even more difficult to measure. Organizations that manage risk effectively have alignment from top to bottom, developed processes to deal with risks and technology to pull everything together. They exhibit the following traits.

#### *The organization is aligned*

- ▶ A key management group takes responsibility for the risk event.
- ▶ The risk organization formally receives resources for identifying, monitoring and measuring emerging risk factors.
- ▶ Incentives support behaviour that benefits the long-term health of the organization.
- ▶ New aspects of emerging risk are linked to the enterprise risk taxonomy and risk universe definitions.

#### *Processes identify and respond to new risks*

- ▶ Leading indicators are identified and regularly reassessed



to minimize surprises and allow early mitigation.

- ▶ Established processes quickly collect exposure and impact information across the enterprise and identify secondary effects.
- ▶ Alternative mitigation techniques are analyzed and understood.
- ▶ A formal, established process performs after-action reviews.
- ▶ Risk appetite reflects emerging-risk measurements, and emerging-risk management links to other risk assessment processes.
- ▶ Emerging risk is considered when capital adequacy is determined, as part of the organization's material risk assessment.

#### *Enhanced technology is used*

- ▶ Information can be collected quickly across the enterprise.
- ▶ Information can be used with a minimal amount of scrubbing, cleaning or manual enrichment.
- ▶ Scenarios and factors can be easily changed, allowing for dynamic stress testing or sensitivity analysis.
- ▶ The content, format and schedule of reports are well defined.

#### **Sharing responsibility**

Emerging risks need to be integrated into the existing enterprise risk-management framework and the firm's management practices, including business planning and business management processes.

Finance and risk departments must work together to make sure emerging risks are taken into account whenever management makes a key decision. Full-scale integration should include input from both senior management and associates closer to day-to-day

activities and from internal and external resources, including academics and industry groups.

Successful organizations begin managing emerging risks with a centralized model (usually a single owner with a small team).

As the system matures, a more robust decentralized approach develops: lines of business share responsibilities as emerging-risk management and related data management become incorporated into the firm's and their own processes. As with any business strategy, the success of emerging-risk management will rise and fall on effective communication and the engagement of all stakeholders.

To define risks and determine their likely impact, executive decision makers can use tools such as scenario analysis to assess the relationship between economic, social, political and technological risks. Regular monitoring of leading indicators is critical for assessing where and how to take action.

Also needed are investments in human resources and technology, including regularly updated, meaningful and forward-looking risk databases that hold everything the firm knows about emerging risk trends.

#### **Deciding when to act**

Based on its analysis of expected impact and probability, the organization decides whether to accept a risk or act on it. But an organization that seeks a competitive advantage should have a predetermined and pre-approved action plan, and it should establish a buffer by allocating capital against key risks.

It's not possible to assess with complete accuracy which risks will become reality. But it's a sure bet that organizations that take action today will be better prepared for tomorrow's challenges and opportunities. ■

.....  
**Chris E. Thompson, M.Eng.** *is a senior executive in Accenture's Financial Services Group and leads its risk management practice in North America. He is based in New York.*

# What's your score?

## *Test your Enterprise Risk Management IQ*

By **Shanil Jayatilleke**

Answer TRUE or FALSE to the following statements. See your score on the following page.

1. Enterprise Risk Management (ERM) frameworks differ from one type of industry to another.
2. "Risk appetite" and "risk tolerance" mean the same thing.
3. Maintaining an effective internal control framework is the primary method of responding to risk.
4. The board of directors is responsible for continuous monitoring of risks faced by the organization.
5. To ensure independence of risk management, Internal Audit should be made responsible for monitoring risks assumed by the organization and for reporting such risks to the board of directors.
6. While corporate governance is the responsibility of the CEO, it is the responsibility of the CEO's direct reports to manage risk.
7. The level of criticality of a risk is defined as a function of vulnerability (exposure to a risk event) and the likelihood of the event happening so that  $[\text{vulnerability}] \times [\text{probability}] = \text{level of risk}$
8. Insurance can be an effective method of responding to risk.
9. Bill 198 requires the CEO and CFO of a public company to attest to the effectiveness of the company's internal controls.
10. Under the concept of civil liability, corporations can be held criminally responsible for the acts of their employees if those acts are done in the course and scope of their employment and for the apparent benefit of the corporation.

## Assessing your organization's emerging-risk management

**1** How would you grade your organization's risk identification, monitoring and measurement practices in light of the events of the past five years?

**2** Do you believe that any of the next 10 years could resemble the past five years?

**3** How confident are you that you would be able to detect and mitigate an emerging risk before your competitors do?

**4** How confident are you that you would be able to understand the systemic impact of an emerging risk more accurately than your competitors do?

**5** How well is the topic of emerging risk communicated and understood throughout your organization?

**6** Are there resources devoted to emerging-risk management?

**7** What level of importance do your executives — and your managers — place on emerging risk?

## Answers

- 1. False.** Although there are professional bodies (e.g., Committee of Sponsoring Organizations, International Organization for Standardization) that have established standards for implementing ERM frameworks, the frameworks are equally applicable for every type of industry.
- 2. False.** “Risk appetite” is the level of uncertainty (of achieving the expected outcome) that an organization is willing to assume given the corresponding reward associated with the risk. “Risk tolerance” is the limit of an organization's capacity for taking on risk.
- 3. False.** Internal control is only one method of responding to risk. Other responses include avoidance, acceptance and mitigation. Internal control, as well as risk transfer and risk sharing, are types of risk mitigation.
- 4. False.** The board of directors is responsible for corporate governance. Continuous monitoring of risk is the responsibility of management.
- 5. False.** Monitoring risks is the responsibility of management. Internal Audit is responsible for providing objective assurance to the board that the effectiveness of an organization's ERM activities to help ensure key business risks are being managed appropriately and that the system of internal control is adequately designed and operating effectively.
- 6. True.** Management as a whole is responsible for managing risk. The CEO has ultimate accountability.
- 7. False.** The level of criticality of a risk is defined as a function of likelihood (probability/frequency) and impact of an event [likelihood × impact].
- 8. True.** One method of responding to risk is transferring risks to a third party through an insurance contract.
- 9. False.** Bill 198 only requires the acknowledgement of responsibility for establishing and maintaining disclosure controls and procedures related to disclosures in the financial reports (DC&P) and for internal control over financial reporting (ICFR).
- 10. False.** The concept of civil liability is imputed liability, also known as “vicarious liability.” Under the doctrine of agency (master and servant), an employer may be liable for actions (or inactions) by employees, if the liability arises within the scope of employment.

## Results

### 9-10

You have a sound understanding of the basic concepts of ERM.

### 7-8

You have a fair understanding of the basic concepts of ERM, but could improve.

### 0-6

You should seriously consider getting a better understanding of ERM.

.....  
**Shanil Jayatilleke**, CPA, CRISC, at CeyQuest developed this quiz for CMA Ontario's ERM certificate program. Visit [www.pdi-cma.com/riskmanagement](http://www.pdi-cma.com/riskmanagement).



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# Beyond borders

## Transfer pricing within multinationals

By **Kristin Heinrichs** and **Srini Lalapet**

Canadian companies with foreign operations need to keep a check on cross-border transactions

**FOR THE CANADIAN ARM OF GLOBAL** pharmaceutical giant GlaxoSmithKline PLC, it was just what the doctor ordered.

Last year, the Federal Court of Appeal overturned a transfer pricing decision by the Tax Court of Canada. The Tax Court of Canada's transfer pricing decision supported the Canada Revenue Agency's reassessment of Glaxo Canada's taxable income from 1990 to 1993 by an increase of \$51 million. In making its reassessment, the Canada Revenue Agency (CRA) said Glaxo Canada had overpaid a Swiss-based Glaxo affiliate for the key ingredient in the stomach-ulcer drug Zantac, which Glaxo Canada packaged and sold in Canada.

**Transfer pricing is the most important tax issue facing multinational companies today.**

The Federal Court of Appeal countered, however, that the tax court's judge had "failed to consider the business reality which an arm's-length purchaser was bound to consider"

when calculating what the price for the ingredient would have been if the transaction had taken place between arm's-length companies.

The new decision was hailed as a victory for taxpayers. But tax experts caution that the CRA continues to aggressively audit international transfer pricing transactions. Meanwhile, the Glaxo case has been appealed to the Supreme Court of Canada. A decision could be rendered in 2012.

Consider yourself warned: transfer pricing is the most important tax issue facing multinational companies today. But for tax managers at global firms, recognizing its impact can often be confusing and overwhelming.

Canadian companies with foreign operations often operate as an integrated business, with little recognition of international borders. This approach may provide multiple benefits, including operational efficiencies and integration synergies, but any cross-border transaction can also give rise to transfer pricing issues.

### **Tax realities in a global market**

In the current economy, where governments are competing over tax revenues, transfer pricing is key in determining the profits and the associated taxes in each jurisdiction. From an accounting standpoint, intercompany transactions are often eliminated upon consolidation of the multinational group's financials.





Consider the following hypothetical example:

- **Tablet International is a multinational group that manufactures and sells tablet personal computers (product).**
- **Tablet International's parent company (Tablet Canada) is headquartered in Calgary and is the parent company of a subsidiary in Shenzhen, China (Tablet China).**
- **Tablet Canada manufactures circuit boards, a component of the product.**
- **Tablet China purchases circuit boards from Tablet Canada and, with other materials such as screens and wiring, assembles and packages the product ready for sale to distributors in China.**

Here's the critical question for tax managers: what transfer price should Tablet Canada charge Tablet China for circuit boards?

#### Compare similar transactions

The most direct way to determine the transfer price is to compare a similar transaction with an unrelated company. For example, if Tablet Canada sells circuit boards under the same circumstances for \$100 to an unrelated company in China, then the \$100 could

be considered an "arm's-length" transfer price for the circuit boards that Tablet Canada sells to Tablet China.

Alternatively, Tablet China may purchase the same circuit boards from a third-party manufacturer under the same circumstances as the circuit boards purchased from Tablet Canada. This "comparable" price should also be considered. In addition, prices paid in comparable transactions between two third parties may also be used, if such data exists.

If comparable transactions are not available, an alternative approach is to compare the profit margins earned by Tablet Canada on the sale of the circuit boards to Tablet China to those earned by unrelated parties on similar transactions.

For instance, if it costs Tablet Canada \$90 to manufacture a circuit board and the markup on total costs earned by comparable manufacturers in Canada is 11 per cent, one could conclude that the profit earned by Tablet Canada on this transaction with Tablet China should be \$10. The transfer price would be \$100, the aggregate of the \$90 in costs and the \$10 of profit. Depending on data availability and the specific circumstances, it may be possible to use other profit indicators.

#### A tangle of transactions

Along with the sale of a tangible product, a variety of other inter-company transactions exist within multinational enterprises that create

transfer pricing issues. These include royalties paid for intellectual property, management and other types of services rendered, and loan/guarantee transactions.

Most countries now have specific transfer pricing legislation and policies. Many jurisdictions impose documentation requirements with significant penalties for non-compliance.

Globally, the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations are often used by tax authorities, including Canada's, to establish policies with respect to transfer pricing, to resolve differences of opinion and to eliminate double taxation with respect to specific cases.

In Canada, Section 247 of the Canadian Income Tax Act provides the legal framework for transfer pricing, and Information Circular 87-2R, International Transfer Pricing, provides administrative guidance.

Before determining any transfer pricing approach, the relevant transfer pricing legislation and policies in both jurisdictions should be carefully reviewed and considered to ensure compliance with local tax laws. ■

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**Kristin Heinrichs** is manager, transfer pricing, for Ernst & Young LLP and has completed the CMA Accelerated Program. **Srini Lalapet**, MBA, is senior manager, transfer pricing, for Ernst & Young LLP.

# Gut check

When you're leading a team through change, logic helps but emotions rule

Excitement, insecurity, fear, curiosity: they are all at play as your team faces change

By **Peggy Grall**

## MILLIONS OF NORTH AMERICANS

are addicted to reality shows. Our hearts beat faster when Ryan Seacrest announces the latest winner on *American Idol* and we shed tears when our favourite bachelorette is scorned by the would-be love of her life. There's something fascinating about watching others come face to face with their deepest fears or reach their highest highs.

Reality shows demonstrate that many of us like to watch others experience intense feelings from a safe distance. I fear that some of us are becoming emotional voyeurs: munching potato chips on the sidelines while the real competitors face off.

This "I'll just watch" approach is similar to what some employees do when an organizational change is first announced. The challenge for managers is to ensure that all employees engage in change rather than watch from the sidelines. The key to meeting this challenge is understanding that while logic may make people think, emotions make them act.

## The three types on your team

Employees take the same approach to organizational change as they do to reality TV. When a company or team embarks on a change effort, people respond in one of three ways. They will either assume the role of an early adopter, a late adopter or the ever-popular wait-and-see voyeur. And emotions play a different role for each.

## 1. The early adopters or change champions

These people step forward early on and often volunteer to spearhead the plan. They generally make up about 20 per cent of the population, and they like change.

### *The emotions at work*

The early adopters get excited about what could be and, as soon as the initial announcement about the change is made, they start looking for ways to get involved or be first out of the gate. They love the promise of anything new and it energizes them to be part of the push forward. These doers thrive on the rush of a challenging goal. For them, the pure pleasure of pursuing a goal is reward enough to get going.

### *The key to managing them*

Give the members of this change-friendly group key roles and accountability for results early in the process.

## 2. The wait-and-see voyeurs

These people — who are also known as the *Malcolm in the Middle* group — make up about 50 per cent of the population. When a change is announced and plans begin to roll out, they take an emotional step backward and wait to see what the emotional climate is like and how risky the venture really is. They watch as others — in this case, the truly brave — try new behaviours,



## WHAT'S MISSING?

When effecting change, check your group's emotional temperature early to see if you've neglected a key factor for success. There are six success factors, and there is a predictable emotional reaction in the absence of each.

- When vision is missing, you get confusion.
- When skills are missing, you get anxiety.
- When incentives are missing, you get resistance.
- When resources are missing, you get frustration.
- When information is missing, you get suspicion.
- When an action plan is missing, you get futility.

test new ideas, make mistakes, falter and start again. They peer across their cubicle at the folks in the game and criticize. They armchair quarterback every move of the transition team, the leadership and their colleagues. They let others test the swift waters of change while they remain safe on the shores of the status quo.

### *The emotions at work*

For this large group, it's safer on the sidelines or, at least, it seems that way to them. They can watch people sweat without having to feel the burn themselves. These wait-and-see employees are in sight of the activity, but not in any way responsible for outcomes. They're content to let their team take the heat in their place. For them, fear plays a more prominent role. They prefer to keep risk at a minimum and, unlike their more change-friendly colleagues, they don't like the heart-pounding, fly-by-the-seat-of-your-pants approach.

### *The key to managing them*

Allow them to "try on" their new roles in a safe environment. Ask them how they think the proposed changes might affect them and how they could deal with them, "if" they choose to get on board.

### **3. The late adopters**

These people make up about 30 per cent of any working group and are the

least friendly to change. They passively resist the organization's plan for change and won't budge till the plan is securely underway – and then only when they can be assured that things will go as planned.

### *The emotions at work*

Late adopters don't like to venture into unknown territory without a complete map; they need lots of rationale and think time to find their way onto the bus. They aren't charmed by the hoopla of a grand plan or an audacious goal; they prefer safer, more predictable waters. These slower changers are ruled more by the need to limit the feelings of fear and ambiguity. They are unsettled by uncertainty and avoid it until the group has moved so far down the road of change that they have to step up or risk being left behind.

### *The key to managing them*

Don't romance the resisters. Invite them to join, then move on. Most companies spend too many resources on people whose central objective is to cling to the status quo, regardless of the outcome.

### **Plan for emotions**

Change is messy. You can't change anything without getting your hands dirty. Whatever your change style, real change evokes strong emotions. In every transition that results in

something great, there is fear, elation, curiosity, disappointment, surprise, joy and other intense emotions. Expect them. Plan for them.

People make logical plans, but their emotions affect the hard work of carrying out those plans.

In the end, whether we feel guilt, fear or longing, our emotions propel us into action or keep us stuck on the shore. Leaders need to learn the emotional responses to change that people exhibit during a transition, and deal bravely with those emotions in themselves and their teams. ■

**Peggy Grall** ([www.JustChangeIt.com](http://www.JustChangeIt.com)) is a certified executive coach and trainer in Freelon, Ont., who helps people adapt to organizational change. Her mantra is, *You can change it and we can help!*



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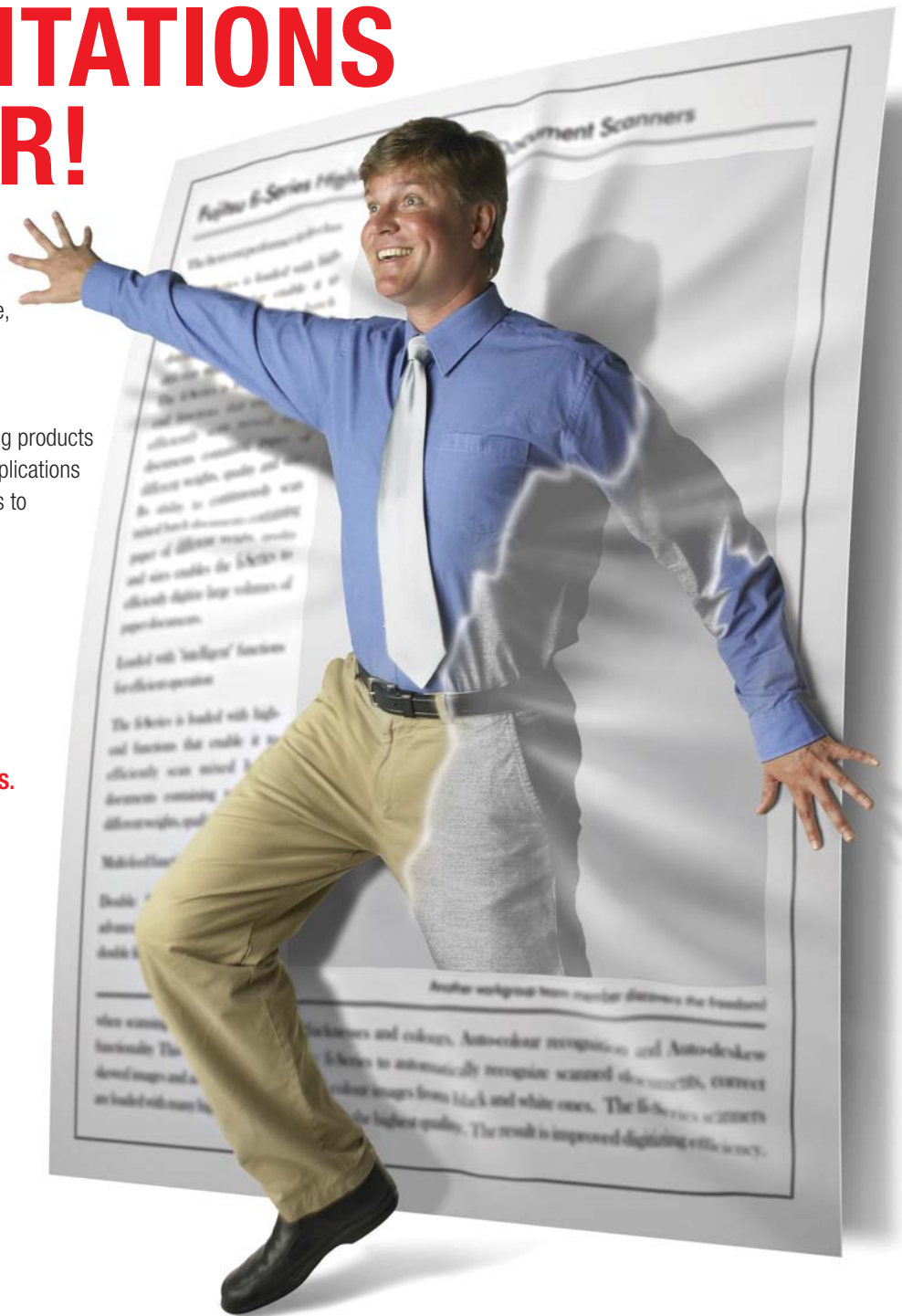
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President  
New Look Eyewear



**Luc Godin**  
Senior Consultant  
Optima Management  
Inc.



**Nathalie Houle**  
Director, Business  
Performance Division  
Desjardins Group



**Sylvain Houle**  
Professor  
Université du Québec  
à Montréal, School of  
Management Sciences



**Jean Jobin**  
Vice President, Finance  
and Administration  
Cascades Tissue Group



**Serge Rioux**  
Lecturer  
Université du Québec  
à Montréal, School of  
Management Sciences



**Eduardo Schiehl**  
Associate Professor  
HEC Montréal  
Department of  
Accounting Studies



**Robert Verreault**  
General Manager  
Bridgestone Canada  
Inc.

## Nova Scotia



**Daniel Clarke**  
President  
Helly Hansen Canada  
Ltd.



**Daphne Rixon**  
Assistant Professor,  
Accounting  
Saint Mary's University



**Christopher Sambrano**  
Partner  
PricewaterhouseCoopers  
Barbados

## Newfoundland



**Dennis Dober**  
Business Management  
Instructor, Accounting  
College of the North  
Atlantic



**Mark Penney**  
Financial Management  
Advisor  
Fisheries and Oceans  
Canada, Chief  
Financial Office Sector,  
Newfoundland Region



## Author Margaret Heffernan cracks open the consequences of avoiding the facts

By Gabrielle Bauer

**Q:** What gave you the idea for your latest book, *Willful Blindness*, which explores the human tendency to avoid hard truths?

**A:** I was commissioned to write a book about the Enron debacle, and my research led me to the term “willful blindness.” It’s actually a legal term, and corporations can be held accountable for it. I’m surprised the concept isn’t used more often in law.

**Q:** Why are organizations and individuals wilfully blind?

**A:** To avoid the short-term pain that comes from facing the truth. We all do it and I’m certainly no exception. In my youth, I turned a blind eye to the hard realities of a romantic relationship. Wilful blindness also allows us to avoid conflict and confrontation.

**Q:** How can individuals identify problems in an organization without creating discord?

**A:** People seem to believe they have two choices: shut up or speak up and risk losing their contract or job. I spend a lot of time educating people about other options, which include checking facts to ensure you have the right information, building coalitions with like-minded individuals and communicating in the preferred style of the organization’s leadership.

Some people prefer getting email documentation prior to having a face-to-face meeting, while others feel more comfortable diving in. Make your case in a way that’s likely to be heard.

**Q:** Did wilful blindness factor into the financial meltdown of 2008-09?

**A:** Yes, in a huge way. All sorts of people saw it coming — expert economists and ordinary people alike. They didn’t act because they hoped the problem would just go away, they were intimidated by the magnitude and complexity of it all, or they had the standard “bystander” reaction.

**Q:** Did we learn from those mistakes?

**A:** Wilful blindness is a very powerful force, and I admit I still feel pessimistic. Almost nobody believes we’ve made profound enough changes to the banking system so far. What matters more, banks or democracy?

**Q:** What personal blind spots should financial strategists such as CMAs watch out for?

**A:** We’re often blinded by “blanket models.” We could all be more thoughtful about tailoring our off-the-shelf models to each situation.

**Q:** What approach to providing strategic financial guidance do you consider healthiest?

**A:** A large power imbalance between strategist/consultant and client breeds mistakes and misunderstandings. On the flip side, we sometimes get too close to our clients, which may hamper our ability to guide them objectively. The way around this problem is to pre-test our financial management ideas with our colleagues to see if they hold water.

**Q:** Do Canadians practise their own version of wilful blindness?

**A:** I very much doubt that wilful blindness is culturally specific. Canada had Earl Jones, the country’s own Madoff. Bystander behaviour — observing without taking right action — has been noted in Canada as much as anywhere else. As much as I would like to think there’s a haven from wilful blindness, I believe the phenomenon is universal. We’ll never fully transcend it, but awareness is a good first step. ■

*Margaret Heffernan has been the CEO of five companies and a BBC documentary writer, producer and director. She is the author of three books; the latest is Willful Blindness: Why We Ignore the Obvious at Our Peril (Doubleday Canada).*



# Five steps to deliver key process enhancements

By **Brett Knowles**

## Perfect alignment

### Zero in on critical fixes to prioritize performance improvement

**THE LEADERSHIP TEAM'S MOST** pressing question is this: what areas of this organization are in greatest need of improvement?

The answer seems obvious: the area that, when improved, will have the biggest impact on the organization's overall performance.

But solving this question is not easy because the leadership team must consider the confusing mix of projects, benefits and needs across the organization.

"Closing the Gap: Going from Strategy to Performance in Five Steps" (*CMA magazine*, July/August 2011) presented ideas to show the necessity of understanding your organization's strategic priorities, how your current processes perform to meet those needs and the importance of evaluating the proposed project's "gap-closing potential." But while

understanding the gap-closing potential is necessary, it's insufficient to deliver performance improvement.

#### **Process improvements are key**

We are only concerned with process improvement projects here: the projects that are intended to improve the performance of daily operations by increasing the quality and/or reducing the cost and/or reducing cycle time. These projects work *on* the business, not *in* the business.

Do not confuse the two kinds of project. With an *on-the-business* project, you stop your regular activities to change the process that you normally work in. When it's completed, the on-the-business project leaves behind a better process for you and others to use.

An *in-the-business* project is different. In some areas, such as information technology, all work is done within

project structures. Examples might be implementing a new computer operating system or upgrading an application. An in-the-business project's primary objective is not to leave a new and improved process behind, but to do specific work.

#### **STEP 1: Separate the "must-do" from the "should-do"**

This step is perhaps the easiest to perfect. Sort out what projects must be done to meet regulatory and legislative requirements. Your organization has no choice about these projects: they must be done and completed on time.

Unfortunately, they likely consume the same resources that the leadership team needs to complete ongoing activities. These projects typically have some spin-off impact on performance, but always leave the organization with fewer resources for on-the-business projects.







**In the current economic climate, many organizations need to adjust their strategy several times as the year unfolds.**

To determine what resources are left for other projects, you must first remove the resources required for regulatory compliance from the total pool of available project resources.

So, for example, if you have \$100,000 available for process improvement projects, and regulatory compliance consumes \$20,000, then your organization has only \$80,000 left for other projects.

For this step, you need to be careful. You consider the minimum effort that your organization needs to fulfill those regulatory requirements.

Although focused on regulatory compliance, these projects usually include an element that works on your organization and leaves behind better processes. You need to consider how much performance improvement these regulatory projects will offer and where those benefits will be seen. And if the required regulatory projects close all the observed process performance gaps, you need not spend the remaining \$80,000 on process improvements.

**STEP 2: Understand the strategic return on investment (SROI)**

SROI is a simple concept. Ask yourself: Which projects will close the gap between your current process performance and the level required by your strategy for the lowest investment?

Think of SROI this way:

$$\left[ \begin{array}{l} \text{IMPORTANCE} \\ \text{OF A STRATEGIC} \\ \text{OBJECTIVE} \end{array} \right] \times \left[ \begin{array}{l} \text{PERFORMANCE GAP} \\ \text{OF THE PROCESSES} \\ \text{THAT AFFECT IT} \end{array} \right]$$

In the airline industry, for example, airplane safety is critical. Processes that affect safety, such as airplane maintenance, must perform very well. You could allocate “strategy points” based on the strategic priority and the observed process performance gap.

To calculate SROI, consider the number of strategy points each of the proposed process-improvement projects will deliver and each project’s cost. You may need to consider the cost across a number of scarce resources: money, specific skill sets or even capacity.

In addition, consider the “while we are at it” component of the regulatory projects. Consider the element of those regulatory projects that you could do that offer gap-closing opportunities. Elements of in-the-business projects, such as information technology upgrades, also offer gap-closing potential and should be included here.

Think of the calculation as an equation:

$$\frac{(\text{STRATEGY POINTS CLOSED})}{(\text{RESOURCES CONSUMED})} = \text{SROI}$$

You can build an SROI table to see the resource consumption and gap-closing potential of all projects, regardless of which department proposed them, and even if they are regulatory-requirement or in-the-business projects.

**STEP 3: Optimize the project portfolio**

The leadership team can now review the relative benefits and costs of the

entire proposed project portfolio. Regulatory projects and their gap-closing potential come off the top: the projects must be done and any spin-off strategic benefits should be recognized.

Next the leadership team needs to select projects based on strategic need and SROI. Each time a project gets approved, you calculate the declining balance of scarce resources (money, skills, capacity) and you know the available resources for other projects.

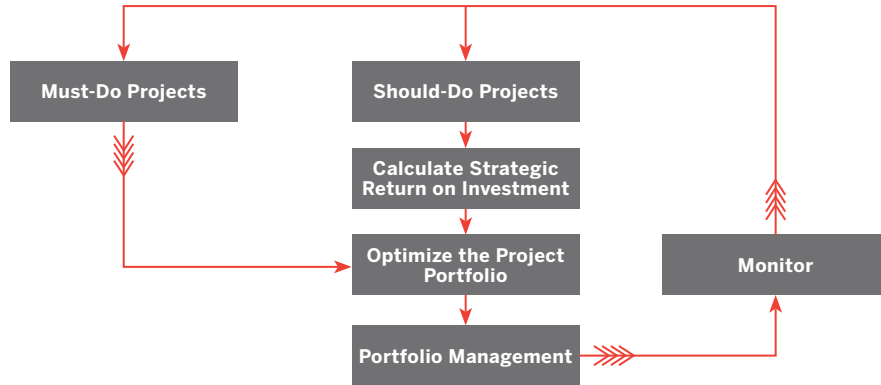
At a certain point, you will deplete one or more of the resources. You may approve a few more projects from further down the list that do not require depleted resources but require resources with remaining balances. The remaining unapproved projects go back into “inventory.” They are not approved, but may be considered later in the year.

When optimizing the project portfolio, consider the strategic impact and ROI of projects, not the political or emotional aspects which often confuse project approval.

**STEP 4: Practise strategic portfolio management**

On-the-business projects need to be measured, monitored and managed differently than traditionally managed projects. Because the goal of these projects is the delivery of specific process improvements, the projects should be stopped when the improvements have been sustainably achieved. There is no benefit in delivering





**Strategic priorities and resource availability are the primary elements of effective improvement prioritization.**

performance improvements beyond what the strategy requires.

For example, if your customers cannot tell the difference between a one-minute check-in time and a 45-second check-in time, why spend the extra \$1 million to improve performance by 15 seconds? Consider stopping the project and reallocating scarce resources to another project that offers a better SROI on those resources.

Monitor these projects with traditional PERT and Gantt charts, budgets, etc., but remember that the SROI overlay is critical to strategic agility and success.

#### STEP 5: Repeat

This approach to strategic portfolio management allows your organization to reprioritize projects throughout the year. In the current economic climate, many organizations need to adjust their strategy several times as the year unfolds.

Changing exchange and interest rates, consumer uncertainty, competitive forces and other factors will cause the leadership team to change the organization's strategic priorities. These in turn will change the strategic performance gaps, strategy points and SROI. Projects in progress may need to be "returned to inventory" and inventoried projects may now be ideal for launching.

Building agile management processes and practices is critical to strategic success, but so is making strategy everyone's job. The entire

organization should understand why projects are approved or not, and what the anticipated benefits are.

Each day, everyone in your organization makes a million small project decisions. They stop their regular activities and try to improve their part of the process, whether that be tidying up the desk or moving the stanchions where customers line up to be served.

If you align these small projects with the strategic intent, your organization wins. If they work against the strategy, your organization loses.

Likewise, people in your organization make millions of customer-behaviour observations every day. If they see them in light of the strategy, they can make better small-project decisions to improve their parts of the process.

Devising strategy is a continual process and is everyone's job. Building portfolio management processes and practices that support the strategy will deliver significant performance improvements. ■

**Brett Knowles** is a senior team member of pm2 – Performance Measurement and Management – and a co-founder of the first Balanced Scorecard application. He and his organization have completed more than 2,000 scorecard projects around the world. A webinar version of this article is available at [BalancedScorecard.net](http://BalancedScorecard.net).

The first article in this series ran in the July/August issue. The third article will run in the November/December issue.

## FROM STRATEGY TO SUCCESS

To deliver performance improvements, your leadership team must follow five steps:

- 1 Separate the "must-do" from the "should-do." Identify what projects must be done to meet legislative and regulatory requirements.
- 2 Understand the strategic return on investment (SROI). Ask which projects will close the gap between your current process performance and the level required by your strategy for the lowest investment.
- 3 Optimize the project portfolio. Consider the strategic impact and ROI of projects, not their political or emotional aspects.
- 4 Practise strategic portfolio management. Recognize that there is no benefit to delivering performance improvements beyond what the strategy requires.
- 5 Repeat. Just as devising strategy is a continual process, so too is strategic portfolio management.



**ONWARD**

**AND**

**UPWARD**

**Achieving the CMA designation  
is just the beginning**

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## Advance your career, work overseas, become an entrepreneur or simply improve your financial knowledge by building on your CMA designation with ongoing professional development

By **Astrid Van Den Broek**

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**FOR DAVID CRAWFORD**, achieving his CMA designation more than 10 years ago was the start of an educational habit.

“Having my CMA helped me bring financial rigour and business-planning practices to the environmental industry, which was traditionally dominated by the sciences and technologists, engineers and biologists,” says Crawford. “These professionals were technically competent in their fields but didn’t come with the rigour of running a business.”

Crawford is the Vancouver-based director of finance and operations for the accounting firm Grant Thornton LLP, which is headquartered in Toronto. At the time he pursued his CMA designation, Crawford worked with the Manitoba Product Stewardship Corporation (MPSC), an organization which supported municipal recycling programs.

After receiving his CMA designation, Crawford pursued a certificate in sustainability from the Canadian Environmental Certification Approvals Board and boosted his skills in helping businesses meet their environmental sustainability objectives. Crawford has a distinct set of skills that allow him to migrate back and forth between the two industries of finance and environmental work.

He puts these skills to use when speaking at provincial CMA conferences about sustainability and the opportunity it presents for CMAs and when leading one-day professional development programs in the four Western provinces, where he speaks about everything from executive decision making to key sustainability drivers.

“As CMAs we are expected to be aware of current developments and new management practices,” says Crawford. “Non-financial or sustainability reporting is a great example of one of these new practices. The tools in the CMA toolbox are easily transferable. Thus CMAs with some additional training are fully able to participate in and lead non-financial reporting.”

If you want to advance your career, work overseas, become an entrepreneur or simply improve your business-related financial knowledge, you can build on your CMA designation with ongoing professional development.

As some CMAs have found, gaining that initial accreditation is just the first step in building a career filled with hands-on work experience and continuing education opportunities. Read on to learn their stories.





### DAVID CRAWFORD

*“As CMAs we are expected to be aware of current developments and new management practices.”*



### TIMOTHY FUNG

*“I needed to be financially literate.”*

## ADVANCE YOUR CAREER

Crawford decided to pursue his CMA designation after realizing that he needed to know more about the financial side of the environmental business. When he was working at the MPSC in the late 1990s, the business was still in its early stages but looked like it had growth potential.

“At the time, people kept asking me, ‘How much does this cost?’ and I’d say ‘I don’t know,’” he says. Meanwhile, financial accounting skills were becoming more important because Crawford was starting to put together numbers on environmental and social effects as well as quantifying and qualifying greenhouse gas emissions.

So with the help of his employer, Crawford began a 10-month weekends-only accelerated CMA program to prepare him to write the CMA entrance exam. He then completed the Strategic Leadership Program through CMA Manitoba in Winnipeg. The accelerated program welcomed students with approximately 10 years of full-time work behind them and covered the key skills and concepts that Bachelor of Commerce students would learn.

Of course, Crawford’s professional development hasn’t stopped there. In Vancouver, he has also completed the Accountability Project, a week-long series of courses about sustainability reporting, stakeholder engagement and assurance of sustainability reports. And the professional development courses he himself conducted on global standards for sustainability reporting have taken him beyond Canada to the United States and Malaysia.

## EXPAND YOUR HORIZONS

While expanding a career is one way a CMA designation proves helpful, switching careers almost entirely and working with overseas clients has proven to be an incentive for others. That’s the case for Timothy Fung who, after completing a Bachelor of Commerce, worked in several positions at a pharmaceutical company, sales at a manufacturing firm and operations at information-technology giant Hewlett Packard.

But Fung always knew he wanted to move into health care, so in 2004 he decided to head back to McMaster University

in Hamilton to pursue CMA certification and an MBA at the DeGroote School of Business. “I wanted a career change,” says Fung. “I realized that accounting was going to be exceptionally important, especially if I wanted to climb the ladder or if I wanted to manage an organization. I needed to be financially literate.”

After working in management consulting for the school in his final year of the program (McMaster has its own consulting arm), Fung is today the executive vice-president of Genesis Health Light Inc., a firm based in Burlington, Ont., that markets medical devices overseas. Fung uses his CMA designation in many ways whether he’s determining cost applications, conversion costs or exposure to risk. “Since we’re producing and manufacturing our own medical devices, I’ve been using my skills to make sure that the company is financially sound,” he says.

As well as entering the industry he wanted to work in, Fung also takes his knowledge overseas several times a year because his product is manufactured in China. This year, he’s hoping to take Genesis products into the United States and Malaysia; later, he wants to take them to Europe and Japan.

## PUT NEW SKILLS INTO IMMEDIATE PRACTICE

The combination of the CMA and the MBA gives you more bang for your educational buck because you walk away from your studies with two designations. “MBAs don’t necessarily have the same currency they did a few years ago,” says Melanie Hazell, the executive coaching managing partner of Hazell and Associates Career Partners in Toronto.

“Professionals such as CMAs tend to invest in the ongoing development of their hard skills,” says Hazell. She also notes that many employers today are looking for employees who upgrade their skills through continuing education.

“Employees can no longer rely on their organizations to manage their careers. It’s up to them,” says Hazell. As such, we should all have an ongoing career management plan with a development component — such as continuing education — built into it, she says.

There’s also value beyond the explicit course content. In



**VICKY THERRIEN**

*“I’d like to help my students really understand management accounting.”*



**STEVE VIEWEG**

*“In my work as a CMA, we were just on fire with innovative approaches.”*

Crawford’s accelerated course, for example, his fellow students came from several backgrounds including the public sector (both federal and provincial), the food and beverage industries, professional financial services and the entrepreneurial sector. “The life experiences that people bring give some perspective to the program because it’s not always about the numbers,” he notes.

And the learning that comes along in acquiring your CMA – whether from your fellow students or from the hard skills you’re mastering – is immediately applicable to your career.

“You don’t have to wait until you’re a graduate or you earn your CMA designation to use what you’re learning,” says Crawford. “There are tools, techniques and practices you can use as you go through the program.”

**TAKE PRACTICAL KNOWLEDGE INTO THE CLASSROOM**

Still others have used their CMA designation to move into, or even further along in, academia. Vicky Therrien graduated in 2007 with a Bachelor of Commerce in finance from the Université de Sherbrooke in Quebec. After working for two years as an auditor and pursuing her CMA, she has recently finished pursuing a Master of Finance Education and will head back to university as a professor in January 2012.

“I expect to have a long career as a teacher and researcher,” says Therrien. “I’d like to help my students really understand management accounting for use in their careers, even if they’re not working in accounting.” She’s also hoping her passion for accounting and finance will inspire her students to pursue their own accounting titles.

To Therrien, the CMA designation was a connecting accreditation that helped her work in the industry and allowed her to pursue her plan to work as a professor. But what stood out to her, as it did for Crawford, was how useful the accreditation turned out to be. “I really found it practical for work in the business,” she says. “For all the courses we had to do and the teamwork we had to do, we worked on and presented real case studies.”

At the other end of the academic spectrum, there’s Steve Vieweg, former president and CEO of CMA Canada and current director of executive development at the Asper School of Business at the University of Manitoba. Long after landing his CMA designation in 1984, Vieweg is now pursuing a doctorate through the University of Manchester’s Business School in Great Britain. The doctorate is something he’s achieving purely out of personal interest.

“In my work as a CMA, we were just on fire with innovative approaches. We dealt with partners across the country and initiated new programs,” says Vieweg, who started the doctorate in 2008. In fact, innovation is what Vieweg now studies. Achieving the doctorate, he says, is on his bucket list of things to do in life.

So whether you want to boost your personal skill set or hope to work in foreign markets or wish to study a subject of personal interest, pursuing continuing education and new designations will help you move toward these goals. ■

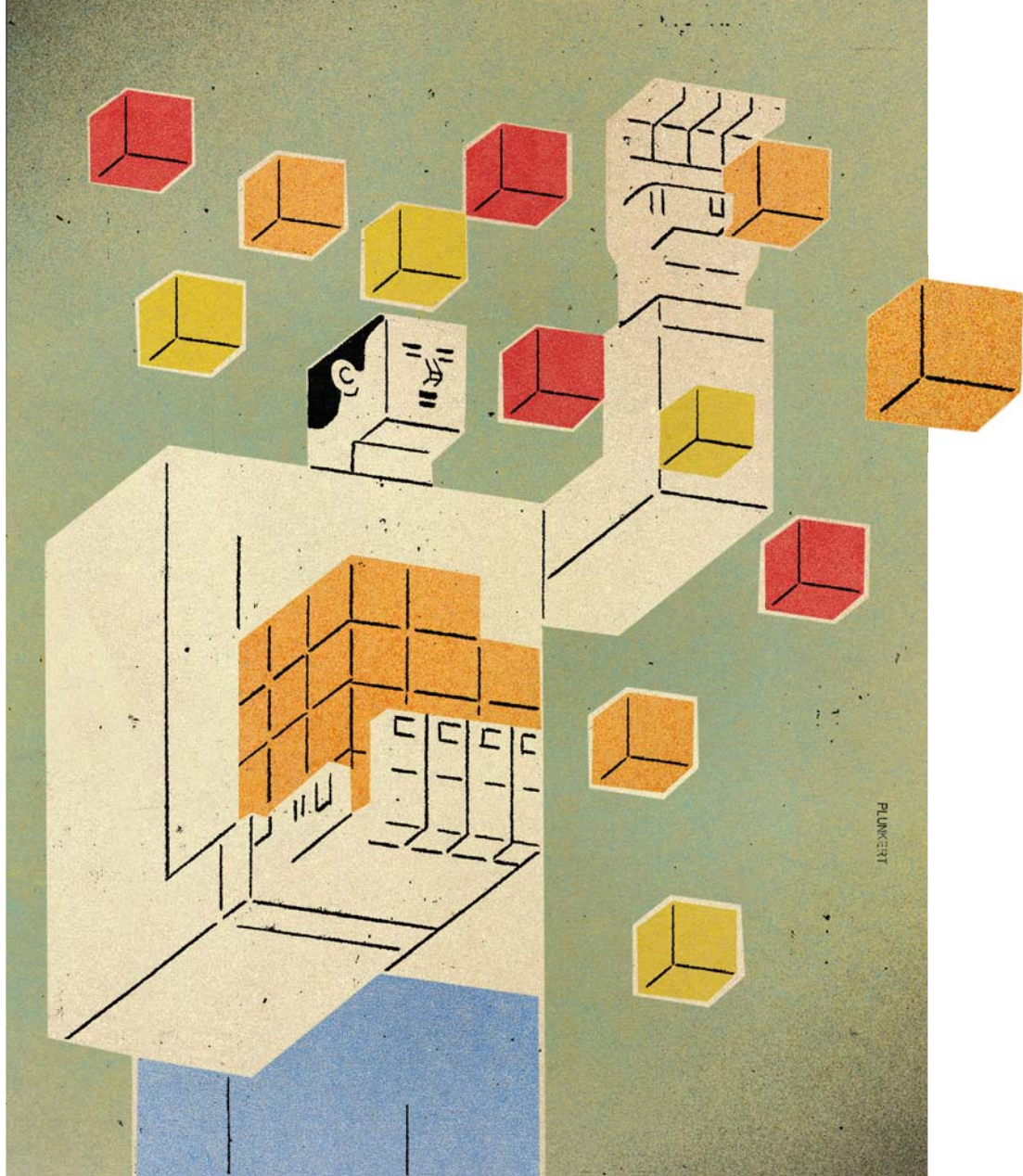
*Astrid Van Den Broek is a freelance writer based in Toronto.*

**LEARN MORE**

**THERE ARE PLENTY OF OPPORTUNITIES FOR CONTINUING EDUCATION FOR CMAs ACROSS THE COUNTRY.**

Many CMA Canada provincial partners offer their own professional development courses and programs. To find out more, see the Regional Professional Development Online Catalogues at [www.cma-canada.org/Courses\\_and\\_Conferences](http://www.cma-canada.org/Courses_and_Conferences).

Cornell University, in partnership with CMA Canada, offers online professional development to help accountants earn Continuous Professional Learning and Development (CPLD) credit hours. Visit [www.cma-canada.org/ecornell](http://www.cma-canada.org/ecornell).

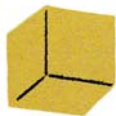
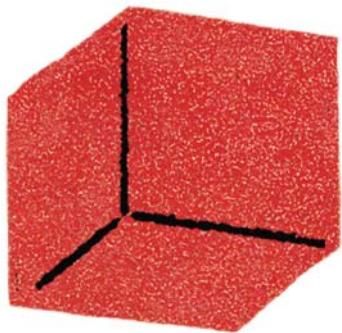


# TAKING CHARGE

Tapping your IT team could help drive your company's sustainability efforts

By **Jacob Stoller**





It's about more than just trimming electrical usage: sustainability is a transformation that involves all aspects of IT.

**A SINGLE MOUSE CLICK MIGHT NOT CONSUME MUCH ENERGY, BUT CLICKS ADD UP.**

Computing devices gobble up between 5 and 6 per cent of the world's electrical power. In most non-industrial companies, the IT (information technology) department is the largest single contributor of hydrocarbons, and that's without factoring in the disposal of spent electronic devices which has rapidly become one of the world's leading recycling challenges.

IT's internal carbon footprint, however, is only part of the sustainability picture. CMA Canada, along with the International Federation of Accountants (IFAC), defines sustainability broadly to include not only environmental, but also social and economic factors affecting the long-term viability of an organization.

In this context, organizations striving to become sustainable will have to address inefficiencies that perennially plague IT departments, including unused functionality, poorly planned user interfaces, unnecessary upgrades and inadequate change management. Frequent survey results citing business and IT alignment as a top challenge for chief information officers (CIOs) indicate that there is much work to be done on this front.

That said, IT has much to contribute. Information plays a central role in the formulation, execution and monitoring of strategies around the complex issues that sustainability touches on. IT departments therefore have a significant opportunity to support sustainable practices throughout the organization by providing the information infrastructure and services that such practices will require.

"There's lots of opportunity to leverage IT," says Todd Scaletta, FCMA, vice-president, research and innovation, CMA Canada. The role is not just operational: IT can also become an essential strategic tool. "It can move from being an enabler to being a driver of sustainability," says Scaletta.

**The sustainable IT department**

IT's expanded role in a sustainability strategy begins by bringing the IT department in compliance with best practices in sustainability. Management shouldn't view this as a specialty project, but as a transformation covering all aspects of the department. Here are the major touch points.

**Procuring equipment**

A sustainable IT procurement strategy should reflect a good understanding of the entire life-cycle costs — both to the organization and to the environment — of the products the IT department acquires. Energy use is a large and growing part of the picture.

"It's quite conceivable that power will cost more than your computer in the not-too-distant future," says Ron Babin, professor of IT management at Ryerson University in Toronto. Babin adds that in data centres, half of the power consumed goes into cooling the computing devices and into other non-computing areas such as lighting, security, etc.

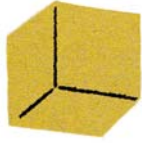
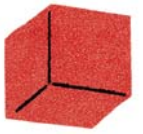
Disposal of spent hardware also needs to be flagged on the purchasing agenda. E-waste is highly toxic, and unethical practices have resulted in unsafe working conditions, poisoned drinking water and unsightly landfill sites.

Governments are becoming more

**10 ways IT can enable sustainability**

*There are thousands of services an IT department can provide to help organizations become more sustainable. Here are a few examples:*

1. Remote access systems to support teleworking
2. Teleconference systems to reduce the need for travel
3. Fleet monitoring systems to track and reduce energy use for cost savings and compliance reporting
4. Workflow systems to automate repetitive processes and reduce process times
5. Smart delivery management systems to reduce transportation costs
6. Smart energy management systems to reduce lighting and heating costs in buildings
7. Document management systems to encourage employees to read online and avoid printing
8. Management information systems to drive KPIs (key performance indicators) around sustainability
9. Industrial monitoring systems to track carbon emissions for compliance and other purposes
10. Telecommunication management systems to monitor the use of wireless devices and report on overuse



*Often, the “latest and greatest” application purchased by information technicians never gets rolled out to users.*

proactive here, and many North American jurisdictions have adopted the European Waste of Electrical and Electronic Equipment Directive, a standard for safe disposal. “It’s a pretty thoughtful and so far useful program that makes sure funds are available for appropriate disposal and recycling of electronic waste,” says Babin.

Although software itself is nothing but code, it drives consumption by creating demand for processor cycles and storage space. Consequently, a flashy new application or operating system is not carbon neutral, and its overall impact needs to be considered.

Extending the life cycle of hardware is a powerful way to reduce costs and environmental impact.

“We’re seeing more organizations say, ‘Instead of having a trade-in program that refreshes IT assets every three years, can we stand at five?’” says David Brassor, managing specialist, Technology Strategy and Architecture at professional services firm Deloitte Canada.

**Staffing**

The continued availability of human resources is essential to sustain an organization. “It’s having the right people at the right time in the right place in the right jobs,” says Rocky Dwyer, CMA, an evaluation principal at the Department of National Defence in Ottawa. “An organization that has

sustainability will over time have that kind of fit.”

In IT departments, the retirement of baby boomers is leaving a knowledge gap that will be difficult to fill. Staffing now limits the growth and thereby threatens the sustainability of many IT departments, and this problem will only accelerate in the coming years.

To ensure future staffing needs are met, organizations will need to compete for talent by making their IT organizations desirable places to work. Continued technical training is a perk that IT workers expect, and reaching out to individuals from other cultures, a familiar priority in the CMA world, is also essential.

Younger workers often view their workplace more personally than their predecessors did, and want to make a difference. Organizations that are vocal about their sustainability goals and accomplishments will have an advantage.

**Using technology**

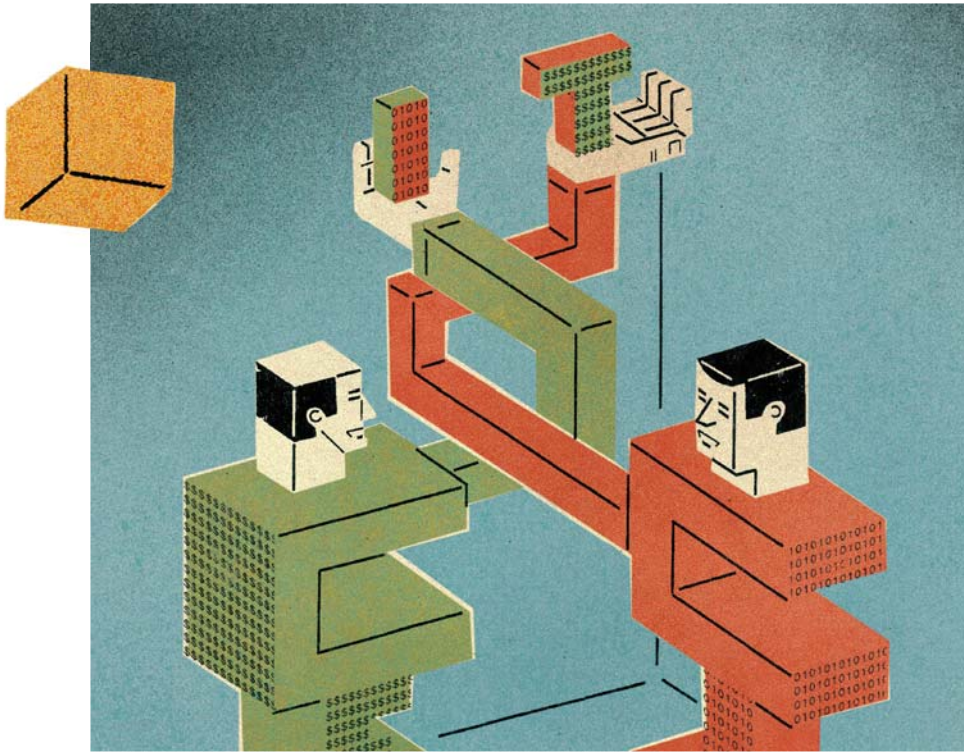
One of the top weapons in the sustainability battle is virtualization, a type of technology that makes it easier for multiple computer programs to share the same hardware resources such as servers and disk space. Essentially, this allows organizations to allocate computing capacity more efficiently and reduce energy and space requirements. Virtualization happens on several levels:

- Server virtualization allows organizations to consolidate their application load on a smaller number of energy-efficient servers and reduce the size and environmental impact of their data centres.
- Storage virtualization allows organizations to grow their storage capacity as needed. They don’t have to build extra capacity to allow for growth.
- Desktop virtualization allows organizations to move their computing load from user machines to more efficient server environments. In such an environment, users no longer need the horsepower of the latest PCs, but can get by with simpler, cheaper machines that use less energy. The lifetime of desktop hardware devices can also be extended because the machines no longer carry a heavy computing load.

A sound virtualization strategy can combine the benefits of all these variations, reducing energy use and space requirements, and ensuring stable growth of IT capacity.

**Outsourcing**

Some IT functions are more efficiently handled outside the organization, and cloud computing has made outsourcing a lot easier.



For example, a data centre may be running a single application on a non-standard operating system or have a seasonal need for disk space. Applications, storage capacity, fully equipped platforms, and support can all be easily outsourced selectively. IT departments can decide what they do best and unload the rest.

When considering overall sustainability, however, organizations should view outsourcers with the same scrutiny as they view any other vendor. Organizations may choose to avoid a cloud vendor who uses coal-fired power or unfair labour practices.

### Reducing waste

Eliminating waste is the most fundamental way to become sustainable, and there is ample opportunity to do this in many IT organizations.

At the desktop, users typically have many more applications than they need. Legacy systems and servers housing rarely used applications often clog up data centres and hog resources. And often, the “latest and greatest” application purchased by information technicians never gets rolled out to users because its impact on business processes was not properly thought out.

Organizations need to account for everything that exists in their IT organization — software, hardware, communication systems, staff

competencies — and to identify and quantify how each item contributes to the organization.

Sustainability initiatives mean tough questions will be asked of everybody in the organization, and the IT department is no exception.

### IT as a partner in sustainability

Developing sustainable practices within the IT organization builds core competencies and positions the department to participate with the rest of the organization in sustainability initiatives. For some organizations, particularly ones where the IT department serves external customers directly, the partnership will be strategic. In other cases, the department will assume a strictly operational role.

In either case, sustainability should never be viewed only as a compliance issue, but as an opportunity to drive the organization forward.

Sustainable practices help organizations succeed because they reduce costs, motivate employees, attract customers, minimize compliance and public relations risks and — last but not least — contribute to the sustainability of the surrounding community. IT can help organizations achieve these benefits. ■

**Jacob Stoller** is a Toronto-based writer and researcher.

## Business and IT alignment

*An IT department that is not aligned with the business probably won't make the grade in a sustainable organization.*

*Alignment is a continuous process that requires a constant dialogue between information technicians and internal customers.*

*The following initiatives help companies close the gap:*

- The adoption of IT quality standards such as ISO and Six Sigma that address IT quality in non-technical terms
- The implementation of a shared services model for IT, where individual departments are internally billed for the virtual services IT provides
- The placement of line-of-business representatives within the IT organization to mediate between IT and the business units
- State-of-the-art user interfaces that allow workflows and other business processes to be designed by non-technical people
- Long-term architecture planning that builds IT around the requirements of the company's line of business

### OPPORTUNITIES CHECKLIST

#### Where's your room for improvement?

##### Procuring equipment

Are you considering the entire product life cycle?

##### Staffing

What has to be done now to ensure your staff will be adequate in two years?

##### Using technology

Are you employing the latest technologies to reduce your hardware footprint?

##### Outsourcing

Are there companies that could take on some of your IT chores more efficiently?

##### Reducing waste

Where are the best opportunities to do more with less?





## Should you hit “send”? Understanding Canada’s new anti-spam legislation

Take steps  
now to protect  
your company  
from potentially  
hefty fines

By **Bernice Karn**

**DO YOU SOMETIMES SEND AN EMAIL** blast telling potential clients about upcoming seminars at your organization? If so, then read on, because you could be caught by Canada’s new anti-spam law.

This new legislation is designed to eliminate spam and electronic “phishing” expeditions. Expected to be proclaimed in force later this year, the legislation will affect how CMAs use email to communicate with their clients or market to them.

The legislation deals with the telecommunication of text, sound, voice and image messages. The key concept is an “electronic commercial message.” An electronic message becomes commercial when the content, contact information or hyperlinks can be reasonably assumed to encourage participation in a “commercial activity.”

### Is there consent?

Under the new law, you can’t send someone commercial electronic messages unless you have the recipient’s express or implied consent to do so.

But there are exceptions. The message is legal if the sender has a “personal or family relationship” with the recipient. Messages are also legal if they

are merely inquiries or applications about an activity in which the sender is engaged with the recipient.

Other types of commercial electronic messages do not require consent as well. They include messages that

- provide a requested quote or estimate for the supply of products, goods or services;
- facilitate, complete or confirm a previously agreed commercial transaction;
- provide warranty, production recall or safety/security information about products, goods or services that the recipient uses, or has used or purchased;
- provide notice of factual information about the ongoing use or purchase by the recipient of products, goods or services offered under a subscription, membership, account, loan or “similar relationship”;
- provide a recipient with notice of factual information about an ongoing subscription, membership, account, loan or “similar relationship”;

- provide employment or benefits information to employees or plan participants; or
- deliver products, goods or services (including updates/upgrades) that the recipient is entitled to receive under the terms of a previous transaction.

#### Is there implied consent?

The following are examples of messages that are permitted with “implied consent”:

- “Existing business relationships” include the purchase or lease of goods or services by a customer in the two-year period preceding the transmission of the message.
- “Existing non-business relationships” arise from a recipient’s activities as a donor or volunteer for a registered charity, political party or political candidate in the two-year period preceding the sending of the message. This category also includes relationships resulting from the recipient’s involvement as a member of a club, association or voluntary organization in the two years preceding the sending of the message.
- The recipient has provided his or her electronic address and has not indicated that he or she does not want to receive unsolicited commercial electronic messages. The message is relevant to the recipient’s “business, role, functions or duties in a business or official capacity.”

If you need consent and are tempted to start by sending out an email to seek consent for a subsequent message, don’t. The law deems such messages “commercial electronic messages.”

To obtain consent, consider alternative means such as asking individuals to join mailing lists by subscribing through a website.

#### Downside of non-compliance

Individuals and companies that do not comply with this legislation could be in for an expensive surprise. The CRTC will have the power to impose severe fines (referred to in the legislation as administrative monetary penalties or AMPs) for violations. Fines could be as high as \$1 million for individuals and \$10 million for corporations.

## This new legislation is designed to eliminate spam and electronic “phishing” expeditions.

This new law also gives the CRTC the ability to pierce the corporate veil and hold directors, officers, agents and others liable if they direct, acquiesce in, authorize, assent to or participate in a violation, whether or not the CRTC proceeds against the corporation itself. The AMP process assumes violators are guilty, and violators will receive a “notice of violation” that will set forth the amount of the AMP.

Alleged violators will then have the

opportunity to dispute the amount of the AMP or to explain why they did not contravene the legislation. However, potential problems don’t end there.

This new law also contains a private right of action for breach of the law as well as sections of the *Personal Information Protection and Electronic Documents Act* and the *Competition Act*. The private right of action allows for compensatory damages in addition to monetary penalties similar in scope to the AMPs.

#### What can you do?

If no exceptions apply and consent cannot be implied, then you need to think about how you will obtain consent to email your intended audience. Here are two suggestions:

- Draft client retainer letters to include language to permit these types of commercial electronic messages.
- Assess your email marketing campaigns. Look for whether email recipients have granted consent to receive email. If they have not, see whether any exceptions from the requirement to obtain consent apply or whether you can shelter your email campaign under an “implied consent” rule. If there is no form of consent and no exception applies, obtain their consent now so that your email marketing campaigns can continue without any hiccups. ■

.....  
**Bernice Karn** is a partner at Cassels Brock & Blackwell LLP in Toronto. She practises in the areas of technology, intellectual property and privacy.

# How to get your article published

## Answering six questions can improve your chances



### Make sure your proposed article is focused and targeted

By **Kim Pittaway**

#### HOW CAN YOU INCREASE YOUR

chance of getting an article published, whether it's in *CMA magazine*, a local or regional magazine or newspaper or even a national publication?

Editors receive dozens — sometimes hundreds — of story pitches for every issue they publish. Ask yourself the following questions and you'll improve the odds that your pitch stands out.

#### 1. *What's your story's focus?*

Many writers make the mistake of pitching topics rather than focused story ideas. What's the difference? "The HR Department" is a topic. "How the HR Department can contribute to corporate cost-savings" is a focused story idea. "Five surprising ways the HR Department can help companies save money" is an even stronger focus because it promises fresh content ("surprising ways") and a clear reader benefit ("help companies save money").

#### 2. *What's new?*

What news are you giving potential readers? Are you exploring the latest

research from a credible authority? Can you quote the theories or conclusions in a newly published book on your topic? Are you able to include fresh case studies, either from your own experience or from other sources? Think about what's new about the story you're proposing, and make sure you highlight this fresh content in your pitch.

#### 3. *What's your story's proposed structure?*

Is your piece best structured as a series of case studies followed by lessons derived from each? Or is it best structured as a series of lessons, with each supported by the latest research and examples? Should your piece — like the one you're reading now — be structured as a series of questions? Or as a step-by-step process?

#### 4. *Who are you?*

What qualifies you to write the story you're pitching? Perhaps you have first-hand experience in managing teams, so you can bring a critical, on-the-frontlines perspective to the latest team-building theories being promoted by a particular author. Or maybe you've advised hundreds of non-profits on how to manage their accounting practices, so you know the most common errors.

Look not only to your broader credentials, but also to your specific experience. Explain how both combine to make you uniquely qualified.

#### 5. *Is this the right publication?*

Your pitch might be well focused, timely and well structured. You may be supremely qualified to write it. But if you pitch it to the wrong publication, you'll be wasting your time.

Does the publication cover the broad topic area under which your focused story falls? There's no point pitching business pieces to beauty magazines.

But in addition to aligning your pitch with a publication's area of coverage, you need to ensure that your proposed story structure is in line with what the editors publish and that they haven't already covered the topic you're proposing (or one similar) in the last 12 to 24 months.

Search the publication's website or flip through past issues to get a sense of the publication's tone, approach and recently covered topics. As well, ensure you're pitching a story length that is within the publication's usual parameters. A magazine that publishes one- to three-page articles is not going to say yes to your 10,000-word tome.

Some publications, such as *CMA magazine*, post writers' guidelines on the website that can provide valuable insight into what the editors are looking for and what they expect from their writers.

#### 6. *Does your pitch letter do your idea justice?*

Editors are busy and the decision to reject a pitch is often made after



**Your pitch might be well focused, timely and well structured. But if you pitch it to the wrong publication, you'll be wasting your time.**

reading just the first paragraph or two. You want to get past that first barrier, so start with your strongest material.

If you've got a compelling case study, fascinating new research or a novel approach to a topic, highlight that up top. In most cases, the story pitch itself should be no more than two or three paragraphs long, followed by a paragraph outlining your particular qualifications.

All told, your pitch should be one-to-two pages long, maximum. Spell-check it. Make sure it's addressed to the proper person, and double-check the spelling of the person's name. Include clips, PDFs or links from other publications if you've written other articles. (There's no need to include everything you've done; two or three samples of your best work is enough.)

And then get started on your next pitch. ■

**Kim Pittaway** is a magazine writer, editor and journalism instructor based in Toronto. She is the past president of the National Magazine Awards Foundation.



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# Could Watson become a CMA's best friend?

## How advances in computer analytics could help CMAs work smarter

More than just a TV trick, IBM's Watson could prove to be a powerful partner

By **Jacob Stoller**

### WATSON, THE COMPUTER SYSTEM

that prevailed over the best human players of the quiz show *Jeopardy!*, is causing some unease in professional circles. In fact, IBM team members have to refrain from humorously referring to Watson's medical version as "Dr. Watson" amid public misapprehension that the system is intended to replace physicians.

But could Watson's data-crunching skills make it a valuable partner for CMAs? That's the question we posed as we dug beneath Watson's television tricks to take a look at the analytical skills embedded in its program.

### A natural reader

Unlike Big Blue, IBM's earlier system which defeated world chess champion Garry Kasparov, Watson displays a

phenomenal facility with natural (human) language. The system not only receives and responds to verbal queries, but also peruses the same sources humans use — encyclopedias, atlases and textbooks — in their native formats.

On the quiz show, Watson had access to 200 million pages of data. To the awe of viewers, the system consistently extracted the right answers from this huge storehouse fast enough to sound the buzzer within three seconds.

What's particularly eerie is that Watson can think — sort of. Using an algorithmic structure called DeepQA, the system arrives at answers to verbal questions by statistically testing multiple possibilities and ranking them according to degree of confidence. Watson "thinks" through each question. There's no playbook of pre-set answers.

"Watson learns from experience," says Dr. Martin Kohn, chief medical scientist, Care Delivery Systems, at IBM Research. "It will get better as time goes, just as it got better the more it practised playing *Jeopardy!*" On the show, Watson learned from incorrect answers from other contestants. Indeed, it learns faster — and becomes more helpful — with increased interaction.

### More data, more easily

Off the set, IBM describes Watson as "a workload optimized system designed for complex analytics." To create a management accounting version, the general knowledge sources from *Jeopardy!* could be replaced with accounting textbooks, financial journals, annual reports, blogs and news websites, not to mention the entire databases of an organization's financial, HR, manufacturing, customer service and even email systems.

In a management accounting scenario, Watson would be used with other programs. Many of these combined capabilities would be familiar to CMAs who have used advanced analytic tools. The real advance here would be the relative ease of applying these capabilities to complex situations.

"One of the biggest challenges in finance is that there's lots of data, and it comes from a lot of different sources," says Delbert Krause, business unit executive, Finance, for IBM Canada. This means that analysts spend much of their time — 60 to 80 per cent according to some studies — setting up queries, building spreadsheets and formatting reports. "In theory, something like Watson should be able to do all that work for you," says Krause.

But this isn't just about saving time. Freedom from data-handling chores



and limitations would mean analysts could ask more questions and, as a result, create reports that provide higher value to the business.

For example, instead of designing a query, an analyst could simply ask the system to look at the revenue numbers from a particular product line. If there was a large variance between plan and actual, the analyst could try to find out

more frequently to not only analyze the past, but also help decision makers respond to change.

“One important area is being able to anticipate change in market behaviour,” says Pierce. “You look at data and see trends. And if you extrapolate those or predict where they’re going, you can correct things that are not working, such as a pricing model.”

risk side, or what’s going wrong,” says Pierce. “Analytics can help point you to what things are working, and then you can think about how you might capitalize on those things.”

Pierce cites two examples: identifying and replicating profitable customer relationships, and identifying pockets of efficiency, such as stand-out branches or departments.

“You’re looking for best practices,” says Pierce. “You’re searching all over the place, internally and externally, to find benchmarking opportunities.”

**Unlike Big Blue, Watson displays a phenomenal facility with natural (human) language. Watson can think — sort of.**

#### **Watson as a CMA?**

Ultimately, the value in analytic systems is in empowering humans to spend less time reporting and more time improving the business.

“I don’t think a system like Watson can determine for sure why something is working,” says Pierce. “But it can flag opportunities. It can very quickly point to where humans can most effectively spend their time.”

Could a system such as Watson become a CMA? Not likely, says Pierce. “Watson can’t read body language with people around the table, and Watson can’t build relationships, so it wouldn’t get far in the Professional Program.” ■

why, perhaps by asking the system to show other months where the numbers had been similar. “You might even start to ask questions about the economy in terms of specific indicators — CPI indexes, price of fuel or something like that,” says Krause.

#### **Anticipating, not just analyzing**

Janet Pierce, vice-president of Professional Programs for CMA Ontario, sees CMAs use analytic tools

With the improved query capabilities that systems such as Watson can provide, this kind of inquiry could include factors that are frequently overlooked, such as customer complaints, and external information from news media, websites, blogs, and comments on Twitter, Facebook and other social media.

One of the best applications for this capability is in the quest for better and more profitable business practices. “A lot of people tend to look only at the

**Jacob Stoller** is a Toronto-based writer and researcher.



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# Fighting famine

## Carol Miles, CMA, and the quest to end world hunger

By **Jaclyn Law**

### WHEN CAROL MILES STARTED CMA EDUCATION

in 1983, she had no idea that her new career would give her passport a serious workout. At the time, she was in the international transportation industry, and she didn't expect to work outside of the United States and Canada. "International options weren't even a thought at that point," she says.

That changed when Miles became director of finance at Canadian Foodgrains Bank in 1990. The mission of this non-profit partnership of Canadian churches and church-based agencies is to help end world hunger. It works with Canadian farmers and overseas groups to provide food where it's needed most: impoverished countries such as Ethiopia, Zimbabwe, Zambia, Pakistan and Uganda.

"Having the CMA designation enables me to work with people in wide-ranging economic situations," says Miles, who allocates an annual budget of \$36 million. Each year, she spends up to eight weeks on the road, reviewing overseas partners' systems and reports.

Risk management is a hefty part of her job. "We transfer significant funds into banks that don't have the same security standards as North American banks," she says. "We're dealing with partners, agencies and suppliers with whom we haven't worked before, sending millions of dollars. You need to know the various instruments on the market to manage risk."

It's also good to know how to manage relationships. Miles says it helps that CMAs possess a powerful combination of expertise and people skills. "That's one of the sentiments echoed everywhere I go. Whether it's Sri Lanka or Pakistan, they're always amazed at how personable the CMAs who visit them are." ■

**Jaclyn Law** is a Toronto-based freelance writer.

**Employer:** Canadian Foodgrains Bank

**Role:** Director of Finance

**Most valuable piece of advice:** "Be kind, be fair. Those values are respected everywhere, and so are those who model them."

**Website:**  
[www.foodgrainsbank.ca](http://www.foodgrainsbank.ca)



Photo taken in Kandy, Sri Lanka



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