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ICAEW

Business & Management

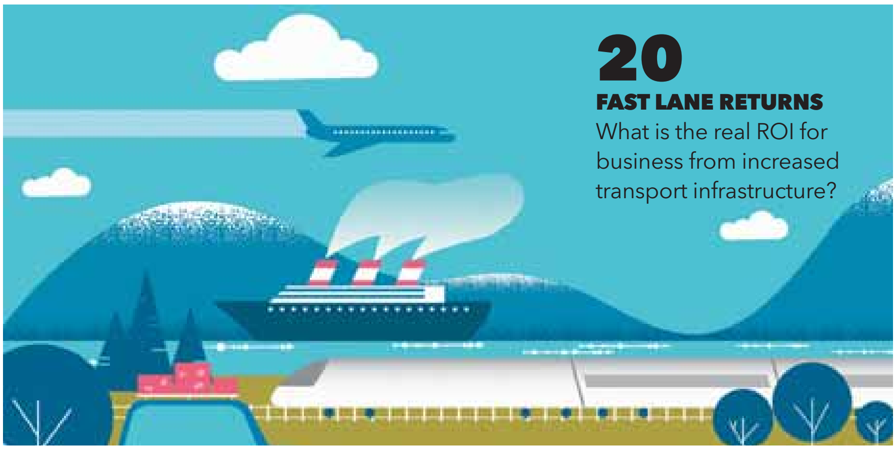
WAYS WITH WORDS
IMPROVING AND USING YOUR PUBLIC SPEAKING SKILLS

WELL TRANSPORTED
INFRASTRUCTURE'S EFFECTS ON THE WORK ENVIRONMENT

BE IN IT TO WIN IT

Preparing a business and its staff for growth and top performance

February 2018 Issue 261



Good performance?

The collapse of Carillion last month has placed the company's directors and its auditors under scrutiny. It does raise questions about trust and expectation. It is not unreasonable for us to expect written contracts to be honoured as these will be backed by the courts. Directors' duties, likewise, are governed by the Companies Act 2006, but where the contractual relationship is not written, eg, the obligations of a company chief executive to the shareholders of a company, matters are more nebulous.

Chief executives are deemed to have some basic duties to a company's owners – a duty of care (*Donoghue v Stevenson*), a duty of loyalty (*Reading v Regem*) and a duty of disclosure. A major obstacle to successful prosecution is attempting to prove that the CEO did not rely on reasonable information available to him at the time of a disastrous decision. The failure to find sufficient evidence to prosecute senior directors after the collapse of RBS is a prime example of the difficulties faced by prosecutors when attempting to defend shareholders. Likewise, the collapse of several other high profile organisations (Rover, Kids Company, Farepack, Palmer & Harvey, City Link, etc) have not resulted in the successful prosecution of any directors. Deputy district judge Goodman, in dismissing the case for negligence against City Link's directors said: "A director cannot be expected to put a crystal ball on his or her desk at a time of huge shock and turmoil, and predict the likely consequences of an action." A big problem for companies is determining how much they should be paying their CEO – do better paid CEOs make better decisions?

Corporate governance research firm MDSI reviewed pay against company performance and found that the highest paid CEOs were in charge of some of the worst performing companies. This is despite some 70% of CEO pay being linked to equity. The report concludes that "even after adjusting for company size and sector, companies with lower total summary CEO pay levels more consistently displayed higher long-term investment returns". MSCI think that this negative correlation is related to the focus on short term reporting and performance. This backs up a 2015 study by UK consultants Mercer Kepler who investigated value created under CEOs and their salaries. They found the best paid chief executives of the FTSE 100 failed to produce the most value for shareholders. Only three FTSE companies were in the top 30 companies for value for money in relation to CEO pay.

I suppose none of this comes as much of a surprise to many – companies pay over-inflated sums to attract CEOs but find that the market doesn't always work efficiently. Investing in a good CFO, however, is always a good idea.

Please contact us if you have any thoughts or ideas about BAM content.

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Annual membership of the faculty costs from £96 for the whole year.

FACULTY EVENTS AND WEBINARS
Events and webinars are listed in this publication; details can be found on page 7

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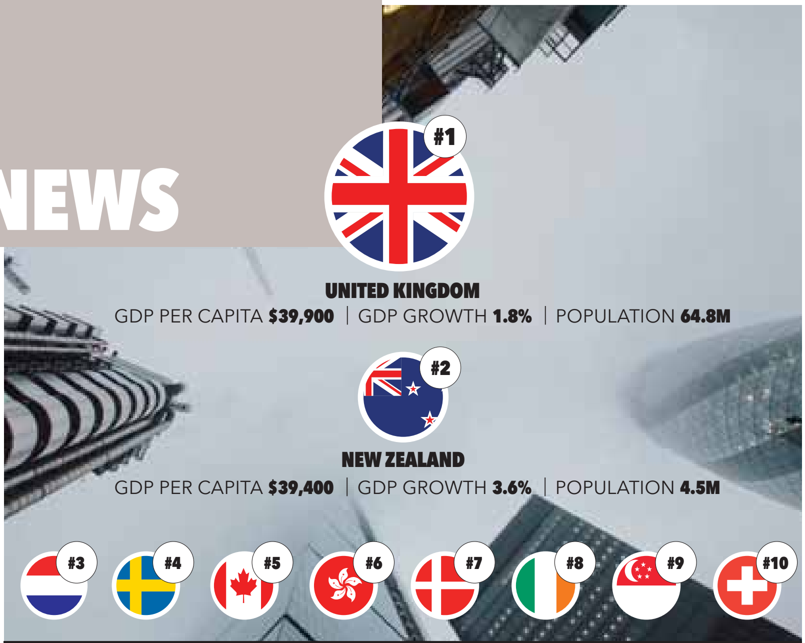
NEWS



BRITAIN'S BEST FOR BUSINESS

Forbes has ranked the UK as the best country for business in 2018, beating the likes of New Zealand, the Netherlands, Sweden, Canada and Hong Kong. The UK, in fifth place last year, scored well for its technological readiness, the size and education of its workforce, and low unemployment. "Some UK companies are holding off on investments to see how Brexit affects trade relations, but Britain's business climate remains attractive," said Kurt Badenhausen from Forbes. However, the UK had the second lowest GDP per capita in the top 10, owing to declining population growth.

DRONE SAVES SWIMMERS IN WORLD FIRST

In what has been described as a world first, a drone saved two swimmers off the coast of New South Wales, Australia. Last month, the Westpac-manufactured drone dropped an inflatable float, which two swimmers, aged 17 and 15, were then able to use to swim back to land. The entire process – the drone taking off, spotting the swimmers and deploying the flotation device – took 70 seconds. The drones were unveiled the morning it made the rescue. Last month, the NSW state government announced it had invested AUS$430,000 in drone technology, as part of a trial.

JOBS COULD BE CAUSING WEIGHT GAIN

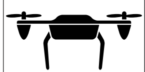
In a survey of 1,200 employees in December 2017, CV-Library found that a quarter of professionals felt depressed as a result of weight gain, which they blamed on their employer.

When asked about how their jobs contributed to their unhealthy lifestyle, half said it was due to being sat at their desks all day, two in five (40.8%) attributed their weight gain to long hours at work leaving them little time to exercise, and 40.3% blamed colleagues that brought in cakes, sweets and chocolate.

Commenting on the findings, CV-Library's managing director Lee Biggins said unhealthy and unhappy staff were likely to be "less motivated and as a result, less productive".

40.8%

Percentage of workers who blame their weight gain on the long hours that they work



70

The number of seconds it took a drone to save two swimmers off the coast of Australia

900%

The record telecoms output that ONS first thought was a fall of 4%

HELP FOR CARILLION SMEs

HMRC has said it will offer support to suppliers hit by Carillion's collapse. Any business affected should contact HMRC to ask about scheduling payments related to corporation tax and PAYE.

ONS IN TELECOM HANG UP

The Office for National Statistics announced last month that it had made another error in its calculations, this time relating to the telecoms industry. Statisticians had failed to take the bundling of services into account when trying to find the output and pricing of the industry, which accounts for 2% of UK GDP. The recorded output of data usage was initially shown to have fallen by 4%, when it actually rose by 900%. The change catapults the telecoms industry from Britain's least productive sector to the most productive.

DEUTSCHE BANK TO SHIFT FEWER JOBS

Last month, Deutsche Bank said London would lose fewer jobs than expected post-Brexit, revising an earlier prediction that 4,000 jobs would move to Frankfurt and Berlin. Chief executive John Cryan told *Neue Zuercher Zeitung*: "Mainly bankers, technology experts and traders work in London and they want to stay there." The boost comes after a Deloitte report which suggested UK car manufacturers would see a 17% increase in turnover and 14% profit rise post-Brexit.

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48 monthly payments	£369.00
Customer deposit	£4,807.50
Finance deposit contribution	£1,000.00
On the road price	£39,555.00
Member saving	£4,107.50
Revised on the road price	£35,447.50
Total amount of credit	£29,640.00
Interest charges	£4,547.00
Total amount payable	£39,994.50
Duration of agreement (months)	49
Fixed rate of interest (per annum)	2.52%
Optional final payment	£16,475.00
Mileage per annum	10,000
Excess mileage charge	14.90p per mile
Representative APR	4.9%

Available with three years' complementary servicing when purchased on Volvo Advantage Personal Contract Purchase.

Official fuel consumption for the New Volvo XC60 D4 R-Design Manual in MPG (l/100km): Urban 44.8 (6.3), Extra Urban 58.9 (4.8), Combined 52.3 (5.4). CO_2 emissions 142g/km. MPG figures are obtained from laboratory testing intended for comparisons between vehicles and may not reflect real driving results.

*Finance subject to status. Retail sales only. Subject to availability at participating retailers only on vehicles registered by 31st March 2018 on Personal Contract Purchase. Terms and conditions apply. Applicants must be 18 or over. Guarantee may be required. Volvo Car Financial Services, RH1 1SR. The complementary servicing offer is only available when purchasing on Volvo Advantage Personal Contract Purchase at participating retailers, on vehicles ordered between 01/01/2018 and 31/03/2018. Services must be carried out at a Volvo Authorised Repairer. Retail offer only. Excludes fleet operators and business users. See volvocars.co.uk for full terms and conditions.

EVENTS & WEBINARS

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EVENTS
ICAEW.COM/BAMEVENTS

PRESENTATION SKILLS – LEARNING TO ACT YOUR WAY THROUGH

7 March 18:00-20:30
Ironmongers' Hall, Shaftesbury Place, London

We all have to make presentations at some point in our careers – some are bound to present challenges and being able to speak with confidence lends credibility to your presentation. Paul Ryan, actor and management consultant, will run through some techniques, learned from acting, which you can adopt enabling you to feel better about your style and deliver with confidence.

Free for faculty members, registration begins at 17:30. Book at icaew.com/bammarevent

WEBINARS
ICAEW.COM/BAMWEBINARS

FREE 20-MINUTE LUNCH WEBINARS

BRIBERY AND CORRUPTION UPDATE

28 February 12:30

UK anti-bribery legislation is among the strictest in the world and imposes serious sanctions on those who fall foul. The easiest way to avoid this is to implement robust procedures when dealing with sub-contractors and agents as well as ensuring that your own staff don't trip up over this piece of legislation. This webinar, presented in conjunction with the Fraud Advisory Panel, will run through practical steps to reduce the likelihood of your business suffering from an unintentional breach.

To book a place, please visit icaew.com/lunchfeb2

STATISTICS SKILLS IN EXCEL – FORECASTING AND TRENDS

14 March 12:30

We go back to basics for this series of Excel statistics webinars offering you very practical steps on how to make the most of Excel functions and incorporate basic stats tools to improve your reporting efficiency.

Our Excel expert John Tennent talks us through the Excel tools to assist with forecasting and trending. This webinar is set at a very basic level – no previous knowledge of statistics is required.

To book a place, please visit icaew.com/lunchmar

BREXIT UPDATE

27 March 12:30

Matt Kilcoyne of the Adam Smith Institute updates us with any real news on trade arrangements and costs with the EU since 2017 and details any progress on international trade. He will be joined by Nigel Hastilow to challenge and cross-examine him.

To book a place, please visit icaew.com/lunchmar2

FREE 60-MINUTE MORNING WEBINARS

FORECASTING WITHOUT FEAR

20 February 10:00

Forecasting beyond the next six or 12 months is a risky business as assumptions made can become involved with multiple parameters and a corresponding knock-on effect in future accounting periods. Jonathan Swan, an Excel guru and author of *Practical Financial Modelling: The Development and Audit of Cash Flow Models*, presents this practical webinar on Excel forecasting tools and how to make the best use of them.

To book a place, please visit icaew.com/bamfebwebinar

PRESENTATION SKILLS – LEARNING TO ACT YOUR WAY THROUGH

21 March 10:00

If you can't make it to the live version of this event at Chartered Accountants' Hall on 7 March (see box, left), grab this opportunity to hear Paul Ryan's tips for delivering smoother, more persuasive presentations.

To book a place, please visit icaew.com/bammarwebinar

BUSINESS VAT UPDATE

24 April 10:00

Neil Warren guides us through the labyrinth of VAT changes over the past year, since his last webinar in April 2017, focusing on important amendments to the rules for small and medium-sized businesses. Neil will also cover common misconceptions and mistakes, error reporting and penalty minimisation.

To book a place, please visit icaew.com/bamaprwebinar

BREXIT IN 2018: SHATTERING MYTHS

As Britain's EU departure approaches, **Mark Essex** believes myths still linger – and lists some he thinks will be debunked this year

When the first phase of the Brexit deal was wrapped up in late December, many of us let out a sigh of relief. After a rollercoaster year of Brexit highs and lows, it was comforting to imagine a smooth exit might lie ahead.

But in the cold light of day, one really has to conclude that phase one was a triumph of drafting and very clever, constructive ambiguity. The deal to move talks onto phase two was a flawless piece of diplomacy as it allowed everyone to continue believing their dreams for Brexit (or, a non-Brexit) were still possible.

However, in reality, some very hard choices and difficult conversations have only been postponed. So, here is my take on some of the Brexit myths that will be debunked in 2018.

01
WE CAN RELAX NOW

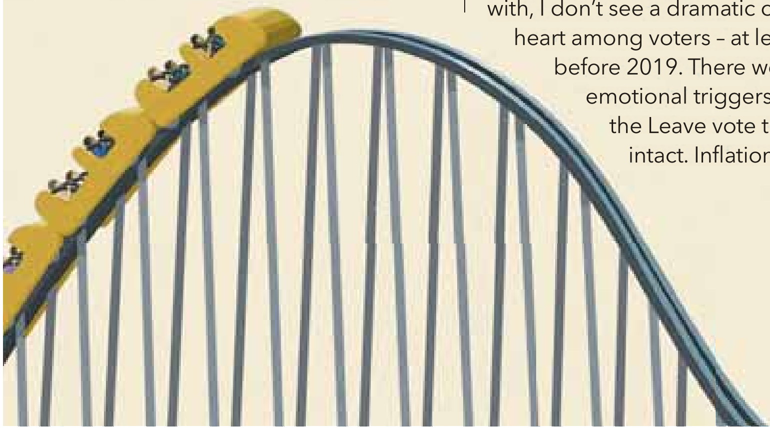
Clients tell me that they are worried customers, suppliers and staff will start to deprioritise Brexit. That's risky. After all, "nothing is agreed until everything's agreed". The beginning of phase two is a good reminder that people need to start planning if they haven't already. Even with an amicable agreement, our trading and regulatory environment may change significantly.

02
AT LEAST 'CLIFF EDGE' IS OFF THE TABLE

The probability has receded, but it's still there. During the last minute discussions over the Irish border, we saw how quickly a 'done deal' can threaten to unravel or how one side's perceptions of the other changing tack can sour the mood. Then there's the question of whether the government has the muscle to get a deal done. Cutting a deal that keeps both Europhile businesses and Leave voters happy won't be easy. Also, recent amendment votes show that MPs can still reject the deal.

03
WE CAN STILL REVERSE BREXIT

It's not impossible, but it is very unlikely. At our FT Brexit summit in December, it was instructive that virtually no politician, commentator or businessperson raised the possibility of 'no Brexit'. Why, you ask? To begin with, I don't see a dramatic change of heart among voters – at least not before 2019. There were deep emotional triggers behind the Leave vote that remain intact. Inflation aside, if there's pain to be felt, it will probably come after our exit. Parliament also presents further barriers. The original result was enshrined in an act of parliament, so a parliamentary majority is needed to reverse it. Even then, we'd need a second referendum. That's probably an eight week campaign, and it could very well be followed by another general election – there's simply very little time to do all that before March 2019.



04
WE'LL END UP WITH A BUSINESS-FRIENDLY DEAL

If it wasn't obvious in June 2016, it is clear now: government, not business, is driving this process. Of course, it will consult industry, but its first obligation is to the broader economy of today and tomorrow. For example, government might determine it needs to prioritise whole industries that barely exist today at the expense of others that are currently significant employers or contributors to the economy. Of course, politicians may choose not to set out these consequences explicitly.

05
ALL IS LOST WITHOUT A TRADE DEAL

It would be easy to despair at the prospect of 'no deal', but we shouldn't forget that Britain's fundamental strengths would endure, and in time, reassert themselves. The UK has a market of 65 million consumers; the largest financial centre in the European hemisphere (and the only one with English as its first language); a world-renowned legal system; and one of the most business-friendly environments in the world. That ecosystem, which has proven attractive to dealmakers, entrepreneurs and their foreign direct investment, won't suddenly crumble into dust. ●

Mark Essex,
director, KPMG

JOHN HOLCROFT/IKON

EXPRESS DELIVERY

In the first of this issue's articles exploring performance and growth, **Royston Guest** explains why a mentor can help put you and your business on the fast track to success

Starting or running a business can be an isolating experience. When you are alone and focused on your company, who do you turn to for advice? Who do you bounce ideas off? Who will pick you up when you're feeling dejected and bewildered?

The answer to all of this is simple. All the support and advice you need can be available in abundance if you just ask a mentor. A mentor provides someone to share your ideas with; someone to offer guidance and support.

How do you know who to turn to as a mentor? Well, there are many people who have built a business themselves. There are many more who run a business, and the majority are passionate to share their experiences about what works and what doesn't for the benefit of others. As the famous Zen proverb goes: "It takes a wise man to learn from his mistakes, but an even wiser man to learn from others."

When it comes to doing anything new, you have two choices: the first is to learn through trial and error; the second is to learn from those who have already navigated a pathway to success. Following in the footsteps of a mentor who has already been there and done it makes it that little bit easier to navigate the potential pitfalls of the business world.

I learned early in my career that observing and emulating the habits, processes, and attitudes of successful people was a reliable way to fast-track my own success. On reflection, this was one of my most important life lessons and it has stayed with me ever since. When I left school at the age of 16, I was keen to get out into the "real world" and my first opportunity was an apprenticeship at a construction company working a six-monthly rotation through each department of the business. It could have been a long process of trial and error.

Instead, my very wise site manager advised me that as I moved between the various departments, I should ask the three best people in each area what they thought I needed to know in order to be successful from day one. When I joined the planning department, I asked the three best planners, who shared tips and tricks I would otherwise have had to learn the hard way. When I joined the quantity surveying department, I did the same. Each person, probably without realising, mentored me into being the best apprentice I could be.

This simple idea can easily be transferred to your world and if you are looking to fast-track your success personally, professionally and in your business, it's this: success modelling. You can either develop yourself and your business the hard way or the easy way – take a moment to ask yourself which pathway are you currently on.

Having a mentor to guide you doesn't mean there won't be some trial and error involved. When a child learns to walk, they start by copying the people around them, but they still fall over constantly to begin with. Why does a second sibling generally develop faster than the first? Because they have a role model to emulate, they are 'success modelling' from an early age.

What if you could fast-track your success and reduce the timeline in delivering accelerated, sustained and profitable business growth in your business by tapping into a rich resource of mentors? Gaining another person's knowledge is a quick and easy way to have some help and guidance when navigating the business world.

TOP TIPS

01

WHO YOU SPEND TIME WITH IS WHO YOU BECOME

There is a saying: "If you want to fly with the eagles don't hang round with the turkeys." Who you spend time with is

GORAN FACTORY

who you become. If you want to be a high achiever, surround yourself with like-minded people with common values who will stretch and challenge you to grow. A mind once stretched never returns to its original dimension.

02
JUST ASK
You'll be amazed how many people are open to sharing their experiences with you and feel humbled to be asked. It's amazing to think how much advice must have been wasted on people who were too afraid to ask others how they made it. Through asking a successful person their advice, you are giving yourself a clear and simple shortcut to success.

The key is just asking – and don't be surprised how many people say yes.

03
YOU CAN HAVE MORE THAN ONE MENTOR
If finance is an area of weakness for you find a finance mentor. If you struggle with marketing, find a mentor who specialises in that aspect. For life experiences, who is the seasoned individual who can guide you?

Following in the footsteps of a mentor who has already been there and done it makes it that little bit easier to navigate the potential pitfalls

The point is that you are not limited to only one mentor. When writing my new book, I found the most experienced proven author who had travelled the pathway I was about to embark on. It has saved me a fortune and, perhaps even more importantly, time.

04
GET CONNECTED
Social media groups, online forums and business communities are a great way to e-meet new people, share ideas, network with other business professionals and ask your business questions within a collaborative group. And you never know – while seeking out a mentor for yourself, you could, in turn, become a mentor to others.

LinkedIn is a great way to connect with successful people. The companies people have worked for are clearly displayed on their page, and most people are keen to build their network. Join groups that are dedicated to your industry. There are often articles written by successful people. Take note, implement their advice, and build your network. It won't take long to send a few messages and meet new people.

Lastly, remember to pass on your own advice! By acting as a mentor yourself, you are helping the next generation of entrepreneurs and business owners grow. ●

MENTEE TO BE?

ICAEW offers a range of services and training that incorporate mentoring, including the Financial Talent Executive Network (F-TEN), which is a unique business leadership, mentoring and peer-to-peer network programme designed for ambitious senior finance professionals who have a group CFO or equivalent-level role in their sights. It includes 360-degree feedback from peers, direct reports, line managers and stakeholders to help with setting objectives and measuring progress. The programme also encompasses mentoring/coaching sessions, workshops, peer learning groups and networking events.

Lasting eight months, the next F-TEN start date is 25 April 2018. For more details and to register your interest, visit tinyurl.com/ICAEW-F-TEN

If you (or your junior staff) are new to a finance role, pondering your next career move or facing a specific business or leadership challenge, ICAEW Mentoring and Executive Coaching might be for you. The scheme gives you access to business leaders with specialist expertise or industry experience who can act as a sounding board for your ideas, offer insights into boardroom dynamics and help to develop your strategic understanding of business issues. For more details and to register, visit tinyurl.com/ICAEW-Mentor

Members of the Chartered Accountant Student' Society of London (CASSL) can benefit from the Mentor Scheme where they can gain advice from mentors covering a variety of topics and career paths. More about the society and Mentor Scheme can be found at tinyurl.com/BAM-CASSL

Royston Guest, author of ***Built to Grow,*** offers business insights on his Facebook and LinkedIn pages. For more on Royston, see roystonguest.com

BE A BID WIZARD

While winning a contract can be an exhilarating experience for SMEs, failing to assess its impact on business can pose many problems. Paul Golden looks into what SMEs can do to prepare for bidding

In its recent research, Hitachi Capital Invoice Finance (HCIF) found that nearly half of small businesses (47.5%) turned down contracts because they could not deliver the work. For early stage companies, the figure rose to 70%.

The most common reasons given for rejection included contracts not paying enough, lack of management time and unreasonable contract demands.

Early stage companies were likely to reject a contract based on price. However, the influence of finance teams on accepting or rejecting a contract is reflected in the finding that half of businesses surveyed turned down a contract solely due to payment terms.

Though it may be very exciting for those involved, winning a contract that dwarfs the existing turnover of a business creates a number of risks; the main risk factor being the ability to finance the contract. Large contracts might absorb a significant amount of time and money to deliver as customers are rarely prepared to make interim payments.

More small businesses have gone bust as a consequence of securing large contracts than losing them. This is the stark assessment of Tim Colman, the national procurement spokesman for the Federation of Small Businesses, and owner of Timecheck Consulting, a procurement consultancy.

Twenty years ago, a small business would almost without exception be able to access bank funding to cover the increased costs of servicing a large standard contract. Now, the available terms have become so onerous that in some cases they negate the profit margin on a big deal, he says.

FOUNDATION TO SUCCESS

More than one third of the SMEs (and 85% of early-stage companies) surveyed for the HCIF report had turned a contract down due to a lack of finance. While unwillingness to take on a loan was the most common factor, more than a quarter of respondents referred to lack of support from traditional lenders.

Small business owners may also face difficulties finding information on potential contracts. While public sector organisations are subject to procurement regulations, there are few limitations on private sector companies. There is no

47.5%

of small business turn down contracts because they cannot deliver the work

clearly defined mechanism for advertising opportunities – a situation that Colman refers to as being the biggest single obstacle to SMEs winning large contracts.

His recommendation for addressing this issue is to make the most of meet the buyer events, such as the business engagement events being staged around the country relating to the expansion of Heathrow Airport. Other options include checking adverts in the relevant trade publications.

Getting ready to bid involves first making sure that the business has all the necessary policies in place. According to Colman, a surprising number of SMEs lack policies in areas such as whistleblowing procedures, despite this being a legal requirement.

The next step is that businesses need to make sure the books are in order. If a business has been losing money for a period of time, a company is unlikely to trust its ability to service a large contract. The large company will likely want to know how the additional requirements generated by the contract will be financed, especially if a bulk of the payment is due at the end of the contract period rather than in stages. In addition to this, Colman also warns against being distracted from servicing the needs of existing clients.

Whether the small business has a finance team, a finance director or just a company accountant, they will play a vital role in determining whether the contract is viable. In some situations the unit cost of production may increase for larger contracts, while the business may also have to implement additional quality standards or move to new premises.

"One of my companies builds racing cars," explains Colman. "We acquired a manufacturer with a good design that was producing five cars a year and ramped production up to 40 a year." However, the business that welded the chassis together could not increase its output eightfold, so the price of each chassis doubled.

"This may sound like an extreme example, but you would be surprised how many small businesses do not know what their production costs are and the severity of the consequences of getting it wrong rise in line with the value of the contract," he adds.

WORK YOUR WAY UP

Clive Lewis, head of enterprise at ICAEW, suggests that small enterprises work their way up to pitching for large contracts by working with a business that supplies a large company, making the latter indirectly aware of their capabilities and increasing their credibility. "Large businesses talk to their suppliers and word gets around," he says. "The supply chain is an effective means of getting in front of potential customers."

Lewis acknowledges large companies can be unreliable payers and will often demand volume discounts, making a strong finance department vital. Large customers usually want to look at a small supplier's balance sheet to see whether the small business can support the length of credit they will be looking for.

He recommends small companies verify that their prospective customer is adherent to the Prompt Payment Code administered by the Chartered Institute of Credit Management. Signatories to the code commit to paying suppliers within a maximum of 60 days (in line with late payment legislation requirements), working towards adopting 30 days as the norm and to avoid any practices that adversely affect the supply chain. If this is not the case, the small business should seek a prompt payment commitment during the contract negotiations. At this stage it is also important to ascertain the escalation process in the event that a debt remains unpaid beyond the credit terms.

"We sold the benefits of being a small company and recognised that some customers want to be a big fish in a small pond"

This can be a challenging conversation but it is a vital function of the finance team. Ann-Marie Cameron, finance director of packaging solutions provider Qualvis, recommends checking the credit rating of the company issuing the tender. "Taking on a customer with financial problems is a major risk for an SME," she says. "Information on the financial health of the business will also be helpful during the negotiation process."

Lewis refers to the reluctance among many small businesses to raise external finance, which may limit their ability to secure large contracts. "Trading only within working capital can act as a brake on growth ambitions," he adds.

TAP INTO THE RESOURCES

Fortunately, assistance is available. For example, UK Export Finance supported Mechatherm International by providing a guarantee under its bond support scheme to free up the company's working capital to fulfil a major contract received earlier this year.

In May 2017, Mechatherm secured a multi-million-pound order to supply one of the largest aluminium producers in the world with melting and holding

furnaces. As a result, 10 new jobs were created that expanded the company workforce to 60.

Chairman Andrew Riley has worked in the business founded by his father for the past 35 years. He still recalls the first large contract that involved him – Egypt's state aluminium company Egyptalum. It was a priority to get cash flow right. Riley adds: "If you have a number of large contracts and get the payment scheduling wrong, you will go out of business. The financial support of UK Export Finance was vital to securing the latest contract."

Businesses already facing difficulties finding people with the right skills have to be particularly conscious of resourcing issues that will arise. "Sometimes you have to take a bit of a punt," says Riley. "The aluminium industry has been through a severe downturn, but we took the decision to retain all our key staff and we work with contractors to smooth out peaks in demand without having to recruit and then release large numbers of permanent employees."

Unsurprisingly, given the international profile of Mechatherm's customer base, Riley is an advocate of currency risk management as well as careful resource planning. "Currency fluctuations can wipe out your profit margin (and worse)

85%

of early-stage companies turn a contract down due to a lack of finance

overnight, so you need a robust hedging policy and the finance director's primary responsibility is to ensure this is updated regularly," he adds. "Fortunately, hedging options have become more accessible and affordable."

KEEP THE BANK INFORMED

Riley also recommends discussing the implications of large contracts with your bank. He explains: "We hold a detailed financial briefing with our bank at least once every six months and in our experience, banks are more willing to cut you some slack if they know what you are doing. In some cases customers will demand letters of credit, which again needs to be planned for in advance."

He is confident that there is sufficient encouragement and assistance provided to small businesses bidding for large private sector contracts. "Networking is crucial – I recently attended a breakfast briefing organised by the Engineering Employers' Federation where I learned about the tariffs our goods might face after Brexit and what shipping documentation might be required. Too many businesses fail to take advantage of the resources available to them."

OPPORTUNITY OR MILLSTONE?

In some cases, finding a niche can open doors for a small business. Healthcare company MedTate has won contracts for its supplements with Lloyds Pharmacy in Selfridges and John Bell & Croyden. CEO Pete Tate reckons the novelty factor gave his company a decisive edge in winning these contracts.

Manufacturing sustainability has been a challenge, though. "Herbal products are more complex to manufacture since good quality herbs are very limited in their natural occurrences so we have to be extremely vigilant when procuring the ingredients, while also constantly finding new suppliers," he says.

Sometimes, contracts become available due to the terms being so bad that others have already rejected them. Robert Pick, finance director at RH Commercial Vehicles, has found this to be true. "In my experience, larger companies rarely change the terms of a contract after it has been signed, so if it looks too onerous and/or the profit margin is marginal, the small business should carefully consider whether it is an opportunity worth taking," he says.

If the contract passes these tests, the finance team should take the time to sit down with operational staff to work through the requirements and openly discuss how they will manage problems. If the contract requires additional staffing and resources, the company needs to consider whether these can realistically be put in place in time.

As payment terms on larger contracts are typically extended, pre-planning before cash begins to flow is critical.

According to Pick, maintaining a local personal relationship that you can turn to within the company awarding the contract is also very important.

Once a contract is running, there is a temptation to breathe a sigh of relief and move on to the next piece of business, he concludes. "However, I like to arrange ongoing reviews to allow ourselves and the customer time to review progress, identify any issues and look for resolution. By doing this, we also get an insight into any other opportunities and keep ourselves well placed when the contract comes up for renewal." ●

THE IMPORTANCE OF SOFT SKILLS

A dazzling proposal alone will not win a contract, but a poor one will scupper new business chances. The best proposals show an understanding of customer needs and the industry in question before explaining the proposed approach and why it was chosen.

When pitching for business, honesty is the best policy. Five years ago, SME travel management company Giles Travel won the Nike account in a process that pitched it against some of the world's largest travel management services providers. Chief commercial officer Andrew Perolls says one of the factors behind this success was that the company didn't pretend to be bigger than it was.

"We sold the benefits of being a small company and recognised that some customers want to be a big fish in a small pond," he says. "We pushed the fact that we are quick to do things and that customers get access to a senior person in the business."

Perolls reckons large companies are also reassured when they see that a small business has been recognised – during the tendering process they will often search for award-winning providers.

When it comes to the business pitch, Robert Pick of RH Commercial Vehicles advises a straightforward presentation as this will quite often be refreshing for a large business audience. "Stressing that if any problems should occur there will be people on hand who can react quickly will usually give you the edge over a larger business," he adds.

GORAN FACTORY

SETTING FRESH GROWTH IN MOTION

With the use of key performance indicator projects, it's easy to be unsuccessful. **David Parmenter** discusses how businesses can avoid failure

From my observations, the failure rate for key performance indicators (KPIs) and balance scorecard projects is off the scales. There are a number of contributing factors that have led to this.

Management, who have yet to receive formal education on performance management, are running organisations in both the private and public sectors. Unlike accounting and information systems, where rigorous processes have been formulated, discussed and taught, performance measurement has been left an orphan of business theory and practice. To make matters worse, organisations are being led by poorly trained chief executive officers (CEOs).

The reasons for this lack of CEO training stems back to the informative years. In the 1990s, there was wholesale divestment in human resources (HR) on a grand scale. In the 1980s, it was common to see large HR departments with their own training, recruiting and nurturing activities. Nothing regarding people could take place without the involvement of HR. Their sphere of influence was everywhere.

In order to become a supervisor, you had to attend a week-long course. Further up the tree, more financial investments were taking place. Executive team members were being sent to leading universities around the world to become indoctrinated with modern management thinking. At General Electric (GE) the management was exposed to the greatest thinkers alive, with father of management thinking Peter Drucker being a regular visitor to Crontonville, their management training school. GE CEO Jack Welch's phenomenal performance can be attributed to the training and mentoring he received. As a senior manager, he was required to deliver training to younger managers; a reverse training programme successfully used by modern thinking companies.

Nowadays it is hard to find more than two executives in the same senior management team who have had this level of investment in their training. Being in senior management without mentors behind you is like going tandem skydiving without the instructor strapped to your back.

One of the biggest casualties from this lack of ongoing education of the senior management team has been the failure of large performance management projects, such as KPIs, to succeed.

In many organisations, KPIs are dysfunctional and thus, a broken tool. Measures are often a random collection, prepared with little expertise, thus signifying nothing. KPIs should be measures that link daily activities to the organisation's critical success factors, thus supporting an alignment effort within the organisation, in the intended direction. I call this alignment the El Dorado of management.

PAST STRUCTURAL FAILURES

Some of the problems can also be laid at the continued use of broken management tools, which have been used year in, year out without question.

Far too often organisations are too large for integrity to be unchallenged. The number of layers you have in an organisation undermines values, builds silos and enables and supports broken management practices to thrive. Two such broken practices are performance related pay systems – based on defined targets – and the drawn out annual planning and budgeting cycle. In reality, this is no more than an exercise in annual politics, with the Machiavellian managers becoming the overfunded winners.

I now believe that dysfunction will become prevalent when an organisation has more than five

GORAN FACTORY

A common feature of the many failed KPI projects is that the cart was put in front of the horse; management was going for a quick fix for the wrong reasons

layers of management. If we have each manager having between seven to 10 director reports on average, we come up with a maximum for an organisation of between 2,500 to 7,000 employees, over which I would argue there would be a lack of integrity and performance unless you subscribed to a subsidiary model such as Berkshire Hathaway has done. In Berkshire Hathaway, individual organisations are left alone to manage their own affairs, while supported and funded by a governing body that knows the difference between management and governance.

A common feature of the many failed KPI projects I have heard about is that the cart was put in front of the horse; management was going for a quick fix for the wrong reasons. KPIs were being set up so management could have a hook to hang the bonus structure on. If you believe you can set a predetermined target that is meaningful, you are as daft as the investment sector, which every year pays millions to hedge fund managers, only to find that the risks that were taken to arrive at the year-end result unwind to leave the investors with red ink.

A RADICAL TREATMENT

For centuries the medical profession has realised that in acute cases radical treatment is required. Some treatments for critically ill patients involve the eradication of the immune system, and then slowly, step by step, reintroducing it. An abandonment of performance measures, annual planning and budgeting and the current performance-related pay system, albeit on a short-term basis,

Every organisation on the planet seeking outstanding performance needs to know what its critical success factors are and have these communicated to staff

will give you time for the required radical treatment to work.

Before an organisation tackles its KPIs, it should throw them all out along with other broken management practices. At the same time, throw out your annual budgeting regime. Replace it with a quarterly rolling regime (see *Time to abandon ship?* in September 2016's issue).

In order to put the horse before the cart, you will need to do several things. First, you will need to rebuild the HR function into a powerhouse. By reinvesting in HR and promoting the HR manager to be positioned alongside the CEO as Welch did, you will have a chance to build leaders equipped and shaped for tomorrow.

Have a mandate that no chief executive will ever be parachuted into the organisation. All potential CEOs are to be introduced at a lower level, so they really know the organisation they are being schooled to lead. Over 80% of Jim Collins' *Good to Great* companies had internally grown CEOs. GE and Toyota are yet to have an outside-generated CEO.

Redesign the performance-related pay system. Bonuses would no longer be based on dubious formulae matrixes, and instead would be rewarded on a retrospective look at performance, including a comparison against the performance of peers and that achieved by third parties. This change would dispel one of the greatest myths of performance measurement, which is by linking pay to performance measures you will increase performance.

Real change will not come from simply measuring results. You need to

GORAN FACTORY

change the philosophy within management, and change comes when the staff in the organisation embraces the concept of Gemba Kaizen. The theory behind Gemba Kaizen is that there is a return to focus on the operations as the key to success, not the exulted corridors of head office. Only when you have head office staff regularly visiting the operations to understand what is happening, will you get measures that mean something.

CRITICAL SUCCESS FACTORS

Before measures are developed, you need to know what is important in the organisation to get right day in, day out. Every organisation on the planet seeking outstanding performance needs to know what its critical success factors are and have these communicated to staff.

Before an organisation tackles its KPIs, it should throw them all out along with other broken management practices. At the same time, throw out your annual budgeting regime

When visiting an organisation, I always look around the walls. If I am unable to see posters with the critical success factors, I know immediately that the organisation does not have this clarity. Every department will have their own version of what is important supporting their own silo mentality.

Creating a learning culture in an organisation is harder than it may appear. It means management – as they climb up the corporate tree – have a hunger for knowledge that is never satisfied.

Welch was an avid read reader of management books, and it was no surprise that he was one to first introduce total quality management into large American organisations.

In a learning organisation, the concepts of lean, agile, Gemba Kaizen and innovation, as preached by great paradigm shifters such as Jim Collins, Gary Hamel, Welch, Drucker and Peters and Waterman, would be explored and adopted en masse.

A total rethink of how consultants are used is needed. Drucker pointed out that a new job should never be given to a new person. Far too often weak management is happy to pay six-figure sums to consultants to undertake a project on the grounds of "at least we tried". Projects that you want to succeed should be managed by an in-house resource; schooled and coached by an experienced resource.

Is it possible to provide an example of a significant implementation that has been delivered by external consultants on or under budget? These projects are as rare as hen's teeth.

SUCCESSFUL KPI IMPLEMENTATION

For KPI projects that did deliver, I noticed the following characteristics. To begin with, it committed a complete and thorough exercise to ascertain their organisation's critical success factors (CSFs), and then ensured that all measures used by the organisation relate back to the CSFs. It is the CSFs and the performance measures within them that link daily activities to the organisation's strategies.

There was an understanding that meaningful performance measures were found in the operations (Gemba) and not in the head office. There was close linkage between the KPI team and operations as the team members had been sourced from there.

The CEO always talked about the latest management book they had read. If Welch found time to read when he was running his large empire, then we all can find time to read a chapter or two, three times a week.

An in-house expert in performance measurement had been groomed. These people were quiet achievers, finishers of the highest order, who were well respected within the organisation.

KPIs also featured wide commitment and involvement from the oracles in the business – the wise owls that everybody refers to when they need answers. Additionally, there was a longer-term view on the project and the investment to make the KPI project team full time on the project.

An environment where each performance measure was piloted before its wide-scale use, enhancing its chances of success. Implementing measures without this testing is, at best, naïve, and at worst, incompetent.

Finally, there was mass abandonment of existing measures, with the retention of only those that did work. ●

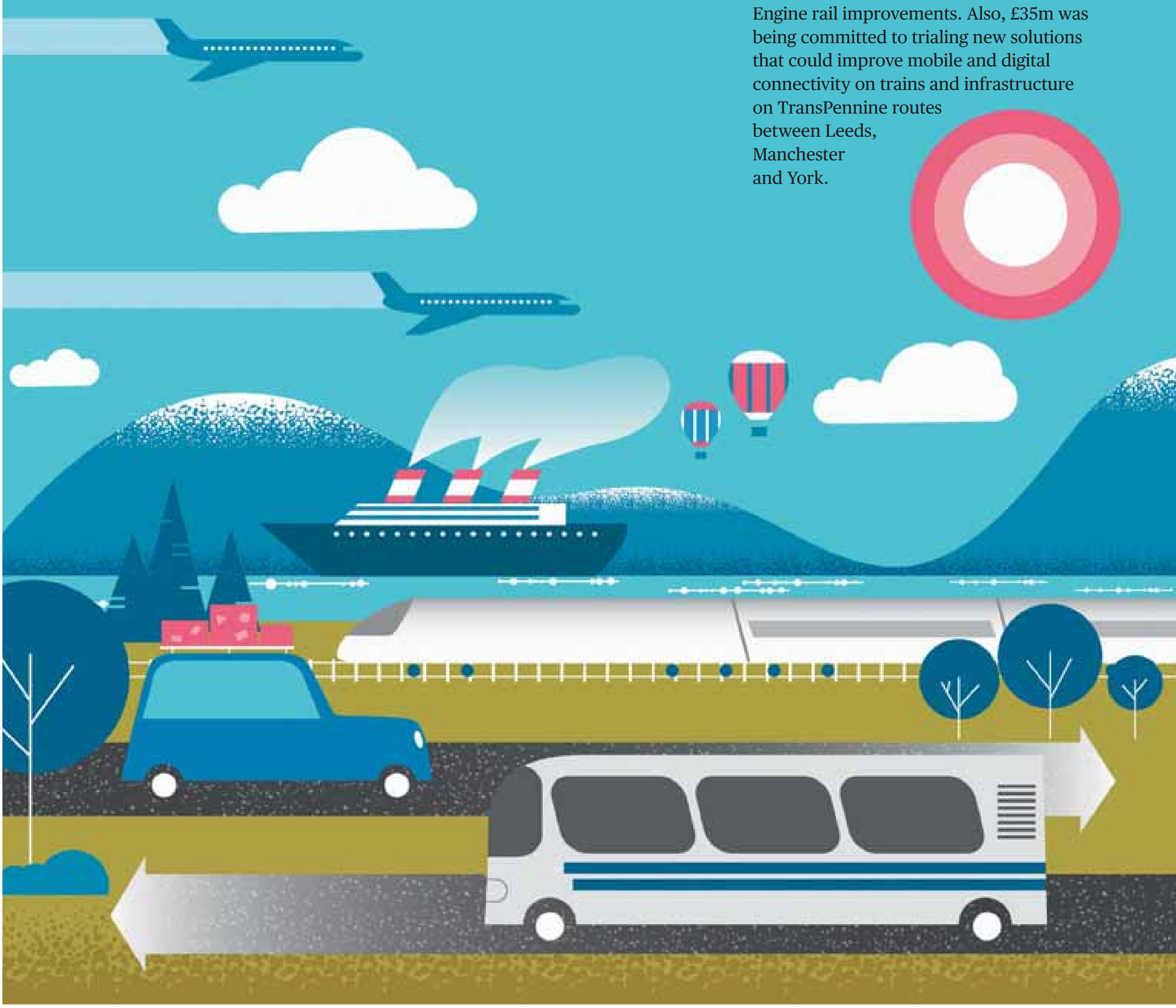
David Parmenter, **expert in KPIs, quarterly rolling forecasting and planning. He is an international presenter of workshops and the author of four books**

WORTHWHILE INVESTMENT?

As the government pumps more money into infrastructure, David Craik examines if business is reaping the benefits of increased productivity from transportation projects

One of the main drivers in last year's autumn Budget was the government's focus on improving the UK's national infrastructure. The chancellor, Philip Hammond, announced the creation of a £1.7bn Transforming Cities Fund to address weaknesses in their transport systems, raise productivity and spread prosperity. It is for new transport links, thus "making it easier to travel between often more prosperous city centres and frequently struggling suburbs", and to cut congestion.

The chancellor also announced that £300m was being allocated for rail links to HS2 (see *Projects in the pipeline*, page 23) to ensure it can accommodate future Northern Powerhouse and Midlands Engine rail improvements. Also, £35m was being committed to trialing new solutions that could improve mobile and digital connectivity on trains and infrastructure on TransPennine routes between Leeds, Manchester and York.



Hammond praised the work of the government since 2010, extolling its investments in rail and road building, as well as Crossrail and HS2 – the largest infrastructure projects in Europe. For the previous chancellor, George Osborne, infrastructure was a key focus. His tenure saw the creation of the National Infrastructure Commission (NIC) in 2015 to help change the way national infrastructure projects were developed.

The independent body, chaired by former transport secretary, Lord Adonis, was tasked with analysing long-term infrastructure needs to foster sustainable economic growth. According to Adonis, who resigned from his post in December 2017, Britain risked "grinding to a halt" without such improvements.

INVESTMENT CHALLENGE

In the past three years, the NIC has focused on plans to improve connectivity for the Northern Cities, the Cambridge to Milton Keynes and Oxford corridor, and London's public transport infrastructure. It also published a list of immediate priorities for government, including Crossrail 2, HS2, HS3 and a new Thames crossing to relieve the M25 Dartford crossing.

However, Adonis raised concerns that the government was still underinvesting in infrastructure, combined with a "stop-go" approach, such as delays to building Heathrow Airport's third runway.

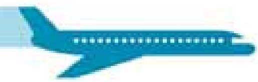
A ramp up in spending would come despite the Infrastructure & Projects Authority declaring a record investment in the nation's infrastructure when it outlined its National Infrastructure Construction Pipeline in December 2016. It announced a £500bn investment, with £300bn planned by 2021, on 720 projects across transport, housing and digital.

The latest infrastructure survey from CBI/AECOM notes 74% of businesses were not confident that infrastructure would improve over this parliament. A fifth were satisfied with the pace of change, and half believe road and rail access to airports and ports is vital to improve the UK's capacity and capability to trade internationally.

"Infrastructure is one of the key drivers of productivity, says Michelle Hubert, CBI head of infrastructure and energy. "It improves the links between and within regions and offers businesses a broader labour network and skills base from a wider range of markets. It also results in better supply chain connectivity."

£1.7bn

Amount set aside for transport weaknesses in the government's Transforming Cities Fund



CASE STUDY: RELOCATION JOY

Music licensing firms Phonographic Performance Limited (PPL) and PRS for Music recently chose Leicester as the location for the headquarters of its new venture PPL PRS. PPL and PRS worked with Leicester City Council's inward investment team for a location outside London.

PPL chief executive Peter Leathem says: "The reason we chose Leicester was a mix of things – the price of property, the price of staff and available talent pool. We were very impressed by Leicester as a city and we liked the quality of life our staff could have; also, the connections to three universities and links to the rest of the country and London."

Transport links included the electrification of the Midland Mainline, which promised to cut journey times between Leicester and London. However, revealing the vagaries of transport infrastructure planning and policy, the electrification has been scrapped by government.

A BIT OF HISTORY

The £23bn National Project Investment Fund, announced in 2016, included £2.6bn to improve transport networks. It is clear projects are being identified, money is being spent and the key driver is a belief economic and productivity benefits will follow. But UK businesses, like Adonis, are worried about a confidence gap between government rhetoric and action.

DON'T FORGET THE SMALL SCHEMES

Hubert says there is a need to invest in infrastructure across the UK with progress being made with Crossrail in the South and Northern Powerhouse Rail in the North.

"We also need to think about the smaller road and rail improvement projects, which are equally as important to businesses," she adds. "Despite the enthusiasm and commitment from government we need to see an increase in the pace of delivery. It is taking too long to get these projects started and there is too much uncertainty in the three key areas of politics, policy and pipeline. Thinking needs to be joined up across departments and we need to see more value for money assessments of a project's worth. So, taking into account potential productivity improvements, growth and living standards."

The NIC, in a paper called *Economic Growth and Demand for Infrastructure Services*, looked at the link between productivity and economic growth, which it found was complex. It stated that a more efficient transport network would reduce distribution costs and increase the amount of output that firms can produce for a given level of inputs, such as fuel and lorry driver time. Second, infrastructure would directly enable productivity-enhancing technological change. For example, better broadband would enable better connections with customers and suppliers.

It stated that without infrastructure "people cannot move between where they want to live and where jobs are located. In particular, infrastructure enables cities and other population centres to form." This then allows "large numbers of people to interact, which makes economic activity more productive, a process known as 'agglomeration'."

The NIC points to some evidence that road projects can positively affect wages and productivity in an area. A study of UK road network improvements between 1998 and 2007 found increased accessibility boosted wages by 0.2% and productivity per worker by around 0.4% for firms within 12 miles of the improvements.

Henry Overman, professor of economic geography at the London School of Economics, says that studies looking at the impact of road building on local employment and business are rare. However, he has also looked at the period between 1998 and 2007 in the UK, finding that a £1.8bn-a-year road spend generated additional jobs worth around £1m. He describes this as "small" and unlikely to transform a local or national economy.

"The evidence nationally and internationally is very clear on wider economic impacts, and new road building is just as likely to drain jobs away from a local economy as it is to attract them"

There is also uncertainty over whether those jobs were new or just displaced.

The LSE believes while the government states that every £1 spent on infrastructure returns £4 to the wider economy, it is based on benefits such as the time workers save rather than affecting GDP directly.

John Whitelegg, visiting professor of sustainable transport at Liverpool John Moores University, is unconvinced. He says: "There is no connection whatsoever between large transport projects be they roads, airport expansion, HS2 and local economic benefits that can be detected and measured. The evidence nationally and internationally is very clear on wider economic impacts, and new road building is just as likely to drain jobs away from a local economy as it is to attract them."

NOT THE KEY TO GROWTH

Whitelegg quotes a finding from the Royal Commission on environmental pollution in 1994 that stated "road building is not the key to economic growth in the regions, indeed it seems that good roads can sometimes speed the decline of less prosperous areas by allowing their needs to be met conveniently from sources outside the area". He also dismisses the idea of businesses relocating to areas with improved infrastructure.

For Whitelegg, businesses make location decisions based on many factors, such as the cost of acquiring or leasing land and buildings, skilled workforce availability, labour costs, house prices, schools, nearby countryside and the levels of taxation and incentives. "To reduce all these factors to a vague concept of perception linked to an experience on the M4 is not credible and lacks substantiation," he says, arguing new road building generates new traffic and adds to rather than reduces congestion.

With such wide opinions, its clear that a more robust approach to determining the economic benefits of more infrastructure is needed. Projects cost huge amounts of taxpayer money, and certainty is needed that they will provide positives for the economy and society. According to Graham Atkins, researcher at independent think tank the Institute for Government, that direction - despite the rhetoric - is not coming from government.

"The way the UK analyses the costs and benefits of infrastructure is world class. The government has sophisticated models for forecasting travel and valuing the time saved by commuters in transport projects, but there is still room for improvement," he says. "On dynamic effects - whether and how infrastructure might change the structure of the economy and in doing so boost productivity, growth, and create jobs - the government is less clear. This is despite the fact that major infrastructure projects from HS2 to Heathrow to the money allocated for transport projects in the National Productivity Investment Fund are typically justified on their contribution to productivity and economic growth."

TOO LITTLE EVAULATION

Atkins says often there is little evaluation of projects, and as a result, governments don't learn whether or how infrastructure boosts business performance and employment. "To improve, departments must undertake more research on dynamic effects and consistently evaluate projects after construction," he says.

Graham Cookson, chief economist of software service company Inrix, says smarter use of big data could help analysis. "Our connected road traffic technologies are already helping understand where the worst traffic congestion and bottlenecks are," he says. "You can input it into an economic model to see if there is a value for money to building a bypass." He believes government can use big

CASE STUDY: RELIEF ROAD BENEFITS

The Great Yorkshire Way – a major link road between south of Doncaster and the M18 – opened in spring 2016 after 10 years of planning and construction.

Roger Wells, operations director of Doncaster-based waste management firm GoGreen, has been impressed by the impact that the £56m link has had on his business. He said: "Prior to the opening of the road, our route from our offices to the M18 was a crawl.

"The traffic was horrendous and would take us 35 minutes to get there at peak time. Now it takes four minutes. This gives us a great opportunity when it comes to finding staff.

"Previously, the north of Doncaster and Sheffield was impossible for us in terms of recruitment.

"Potential employees would have to drive one hour just to cover the five or six miles. They would never consider

The new road has cut journeys to the office of GoGreen from 35 minutes to just four

us. Now the new road practically comes to our gate and people are starting to select us.

"We've taken on five new members of staff, which is 5% of our total. We are a fairly low-skilled company but of the five, three of them are skilled IT staff. They would not have found us attractive before.

"We're seeing a bounce in revenues, up by a fifth in the past 12 months. The road has had a direct impact on that."

£42bn

the forecasted economic cost by 2025 of London's 13,000 traffic hotspots

data to ensure that infrastructure is built where it is needed most.

In 2017, Inrix published a list of the 21 worst UK cities for traffic hotspots. It found that London was the worst with nearly 13,000 hotspots and a forecasted economic cost - based on impact of time wasted - of £42bn by 2025. Second-placed Edinburgh paled in comparison at £2.8bn and Glasgow was third at £2.3bn. The least affected were Liverpool in 20th place at £222m and Wolverhampton in 21st at £182m.

However, according to IPPR North, London receives £1,943 a person when it comes to annual infrastructure spending (primarily driven by Crossrail costs), compared with £682 in the North West, buoyed by Northern Powerhouse development, £222 in the North East and £191 in Yorkshire. The fact London suffers twenty times the congestion costs of these cities would imply spending in London is insufficient. Businesses are increasingly looking at these factors, in addition to housing costs, to decide on relocation (see *Case study: relief road benefits*, opposite).

FOLLOWING LONDON'S LEAD

Ian Birch, head of transport economics at the Centre for Economics and Business Research, says: "London has been ahead of the UK in realising the importance of multi-modal connectivity and helped businesses be much more productive than if they were based elsewhere. But we are seeing this also begin to develop in the North, with links to road and airport infrastructure in particular."

Chris Pike, head of rail at Arcadis, adds: "London has been helped by bodies such as Transport for London actively lobbying government about ensuring that the city's workers can get where they need to as seamlessly as possible using transport.

"Transport for the North and the Midlands Engine are doing the same. They are using projects such as HS2 to encourage businesses and workers to invest in their regions."

Pike urges businesses to talk to councils about getting better infrastructure because with mayoral devolution the "potential is there for regions to come together and invest in real change". ●

PROJECTS IN THE PIPELINE

HS2

The £56bn high-speed rail network is planned from London to Birmingham in its first phase, and to Manchester and Leeds in its second. Phase one is expected to deliver £44bn in economic benefits. Construction is expected to last until 2024, however, and is reported to end up being an additional £29bn over budget.

NORTHERN POWERHOUSE RAIL

Fewer than 10,000 people in the North can access four or more of the largest regional economic centres in an hour. This would rise to 1.3 million through the £20bn scheme, which promises to improve service patterns and target journey times.

AIRPORT EXPANSION

Building a third runway at Heathrow – estimated to cost £14bn – received government approval in October 2016. It is worth £61bn to the economy and will create 77,000 new jobs over the next 14 years. However, the consultation has reopened due to new reports on noise and air quality.

ROAD TUNNEL

Lower Thames Crossing (Silvertown Tunnel) will bring 70% extra road capacity between Essex and Kent at a cost of between £4.4bn and £6.2bn.

NEW PORT

Forth Ports – owned by a private equity investment fund managed by Arcus Infrastructure Partners – will open a new 152-acre port next to the existing Port of Tilbury, in Essex. The terminal, Tilbury 2, will come as part of a £1bn investment and aims to meet the needs of UK businesses importing and exporting goods post-Brexit. It is expected to feature a storage area for car imports, a roll-on roll-off ferry terminal and new national rail and road connections. Forth Ports have a targeted opening of 2020.

There is increased government focus on UK freight given the challenges of Brexit. The National Infrastructure Commission has launched a freight study to look at what the government can do to help businesses deliver their goods faster and more efficiently.

DAN SIPPLE, NEIL WEBB/IKON, ALAMY

SPEAK EASY

Ahead of the Business & Management Faculty's events on improving presentation skills, David Adams gets tips on speaking and presenting from the very best

We all have to make presentations and perform some public speaking every now and then. Some we may enjoy, and some we may hate. But every opportunity to speak presents us with the chance to influence. How can you ensure that what you give your audience is not only interesting, but also effective?

Jonathan Schwabish is an economist, senior fellow at the Urban Institute in Washington DC, an expert on data visualisation and author of the book *Better Presentations*. His first tip is a very basic one: carefully plan what you are going to say, partly because it helps to think carefully about who will be in the audience. A speaker cramming in too much information is just one reason why some presentations fail to achieve their desired impact. Once you have decided what to say, start considering what to leave out. Schwabish suggests thinking about the presentation as a series of headlines. "Think about the active, conscious messages that people are going to take away," he says.

WHO IS IT ALL FOR?

Above all, think about the audience. "It really is all about your audience," says Simon Bucknall, who runs masterclasses on speeches and presentations, and represented the UK in the 2017 World Championship of Public Speaking. "Too often in business, presentations are speaker-focused, or about the organisation they represent – and whatever is supposed to be in it for the audience gets missed out."

Bucknall advises checking how often the word 'you' is used. "As soon as you see 'you' a little bit more, you start to focus on your listener."

When it comes to creating slides for the presentation, Schwabish believes in using as much visualisation as possible instead of relying on tables and text. While he avoids overusing the most ostentatious features of PowerPoint, Schwabish finds two features of the software very useful. The first makes different points appear one after another on the slide, making it easier to focus on each point individually. The second, a feature available on the most recent version of the software, allows the presenter to display the whole graphic, then dive in to look at a specific element in detail.

However, the most important principle to remember, he says, is that "not everything you say needs to go on screen". As a general rule, including more detail may be appropriate if the presentation is being delivered to a small group of people in a seminar-like environment. Keynote-type speeches should be based more on headlines and the use of visualisation.

DITCH THE 'GOODBYE' SLIDE

Schwabish doesn't like the final slide saying 'thank you' or 'any questions?' because it is a waste of time to have it on screen during the final section of your time on stage or during a Q&A session. "What you want on the screen is the headline of the whole talk so that's what ends up being burned into people's brains," he says.

He also suggests practising the speech. Not just sitting in front of the computer and looking through slides, but actually rehearsing. "Stand up, use a clicker and practise. Say it out loud."

"Go much more slowly than you think you should. That has a lot of advantages, including the fact that it minimises 'errms'"

When it comes to actually delivering the speech, you will surely already know the most important tip: don't rush. "Go much more slowly than you think you should," says Schwabish. "That has a lot of advantages, including the fact that it minimises 'errms', because your mouth isn't trying to catch up with your brain." Bucknall says one way to ensure you do this is to speak in short sentences.

Bucknall describes some other techniques that help ensure a good delivery. "By taking quality, slow, deep breath, you're likely to project better," he says. "You'll also calm your adrenaline. Before you go to speak, take a moment to dip your chin down and breathe deeply. That helps to relax your chest so you're not tense."

GUARD AGAINST A MAY MOMENT

A cough or sore throat can derail even the best of speeches, as Theresa May discovered during the Conservative Party Conference last year. Being well hydrated helps to avoid this, but water isn't necessarily the best thing to drink. "Water doesn't help a dry mouth – something sweet or acidic does, like a fruit juice, or a sugar lump in tea or coffee," Bucknall explains.

The way you present yourself on stage can influence the impact of your presentation. It's generally a good idea to not move around too much. Bucknall recommends thinking about your "neutral stance" (what you will be doing while standing still) ahead of your presentation. This will ensure "you appear composed even if you're not", he says. "If you fidget it can be very distracting for the audience."

Above all, only enthusiasm and engagement with your subject can inspire your audience. As Schwabish says: "There's no reason the audience should care if you don't at least appear to care."

And finally, unless you and independent witnesses are absolutely certain you possess the rhetorical powers of a Churchill or an Obama, always remember the advice of former US president Franklin D Roosevelt, no mean speaker himself: "Be sincere; be brief; be seated." ●

FEELING INSPIRED?

Don't let your post-presentation adrenaline euphoria go to waste: as well as considering doing more training, why not make a habit of watching other presenters in action (including those not giving business-themed talks) to observe how they use humour, timing, pace and slides to their advantage?

TED talks are the most famous example (at ted.com), but you will also find many other examples online, such as Ignite which allows presenters to use no more than 20 slides in five minutes, with each slide moving on automatically every 15 seconds – achieving brevity being the key takeaway here.

Take your search for the perfect presentation offline by seeking out live lectures and seminars. In London for example the Bishopsgate Institute, the London School of Economics and the British Library all have a regular programme of speaking events.

PREVIEW – PRESENTATION SKILLS: LEARNING TO ACT YOUR WAY THROUGH

In March, the Business & Management Faculty will be running events on improving your presentation skills, to coincide with the quarterly report on the same subject.

On 7 March, Paul Ryan – actor, trainer/facilitator and public speaker – will be using his 40 years of experience as a performer to help you inject confidence to your presentations.

Join us for this 60-minute lecture in London to learn techniques that you'll be able to put to use in your everyday preparations for making presentations, speeches or addressing large meetings.

If you can't make it to the seminar, watch the webinar session, also being delivered by Paul, on 21 March.

You can sign up to the seminar at icaew.com/bammarwebinar or join us for this event icaew.com/bammarevent

A copy of the quarterly report will be sent to members along with their March issue of *Business & Management*.

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BIAS, PERSONALITY AND RISK-TAKING DECISIONS

Matthew Leitch investigates how underlying and subconscious factors affect the level of risk people are prepared to take in corporate decision-making

Why do some people take crazy risks while others are too cautious? Why are we more cautious some days than others? When we make risk-taking decisions, which factors should we take into consideration and which are the irrelevant causes of bias? And what can financial managers do to improve risk-taking decisions?

Let's consider some factors that are clearly irrelevant biases and gradually move on to factors that are relevant factors that should be thought about carefully.

MACHO MANAGEMENT

A surprisingly large amount of scientific research has been done to study the links between testosterone (in men and women), power and risk-taking. For example, if an influential male executive, about to go into an important meeting, is reminded of a time when he was particularly powerful and successful, gets a nice smile from an attractive woman, and then sits down in the meeting on a wide, comfortable chair, the scene is set for some bold, perhaps reckless, perhaps unethical decisions.

All three of those cues – the reminder, the attractive smile, and the chair – have been shown to lead to measurable changes in testosterone, feelings of power, and risk-taking driven by optimism. Who knows what else could have a similar effect? What about an argument, an impressive office building, or a history of life experiences leading to a sense of personal invincibility? Is it any wonder that major banks occasionally gamble themselves into oblivion?

These factors can influence decision-making but they should not.

Unfortunately, there is less research on how to avoid these particular biases. A sense of the responsibility that comes with power seems to be helpful, and so is being aware of possible biases.

NARCISSISM

Personality features can cause bias too. Narcissism is a tendency to think ourselves better than we really are, and to do things to maintain that overly positive self-image. In tests of general knowledge most people are overconfident, but narcissists (so-called "normal narcissists", not people with Narcissistic Personality Disorder) proved the most overconfident and did worse on a task that involved gambling on their knowledge.

TEMPORARY DEBILITATION

While few of us would admit to narcissism (especially narcissists), most of us would admit to occasionally feeling tired, hungry, dehydrated, sleep deprived, and to drinking alcohol. All these affect our risk-taking decisions, usually causing us to be more cautious and to shy away from difficult, complicated decisions that involve a change from the status quo. You might imagine that alcohol would increase risk taking, but in fact it reduces it, at least for moderate doses we are aware of.

When things are going badly we are most at risk of carrying on with the actions that got us into a mess in the first place.

PERSONAL INTERESTS AND RISK TAKING

Suppose your chief executive is married to a billionaire and has no financial worries at all. However, she does want to be famous and so prefers bold, eye-catching strategies. She's not put off by the possibility of large losses for the company because she herself has no financial worries or stake. Clearly, if her personal interests are allowed to influence decision-making then this could lead to strategies that are too risky for most stakeholders.

Does it make any difference if she says that the strategies are within her "risk appetite"? No, because her job is to take into consideration the legitimate interests of all stakeholders, not just her own.

Conversely, suppose all your non-executive directors are established and successful, and so feel they have no need to improve their reputations, but don't want to ruin the last decade of their careers with a high-profile failure. Should their personal preference for low-risk strategies be allowed to influence decisions made on behalf of the company? Again the answer should be "no".

A sense of the responsibility that comes with power seems to be helpful, and so is being aware of possible biases

GETTY

RISK ATTITUDE

If persistent individual differences between people in their attitude towards risk itself existed then these would also be unwanted individual biases. Fortunately, such individual differences may not exist at all and, if they do, they may be so weak that we have little to worry about.

Each year I teach on a masters course in risk management at the University of Southampton and one of my challenges is to help the students overcome misconceptions and confusions about the idea of risk attitude. I begin by teaching them to say "risk averse" not "risk adverse". After that things get more subtle.

The phrase "risk averse" is used in at least two completely different senses. Obviously, it can mean an aversion to the possibility of a bad outcome. If we are averse to an outcome then we are also averse to the possibility of that outcome. This is true even for people who love to gamble or take part in dangerous sports. They may enjoy the adrenaline rush but the gamblers would still prefer a system that guaranteed winning and the skydivers still take safety precautions. Their desire for the adrenaline rush outweighs their aversion to the potential bad outcomes.

Unfortunately, "risk averse" is also used to mean a tendency to see monetary losses as more important than gains of the same monetary amount. This is more of an aversion to a spread in results than to bad outcomes. Writers almost never distinguish between these two uses of the phrase so it is hardly surprising that people get confused.

Another crucial distinction not made often enough is between attitudes to risky behaviours and attitudes to risk itself. Almost all surveys described as measuring risk attitude actually just ask about risky behaviours and people do those behaviours for many reasons, including their perceptions of the potential consequences.

Most students begin the course thinking there is evidence that people differ in their inherent attitude towards risk and that these differences are large and account for differences in behaviour. In fact, separating out the effect of true risk attitude, if it exists, from all the other factors that drive our behaviour is probably impossible. Alternative measures of risk attitude do sometimes correlate

When things are going badly we are most at risk of carrying on with the actions that got us into a mess in the first place

but not very well. Apparent risk attitude in different situations sometimes correlates but, again, not very well. It is usually much easier to explain differences in behaviour by differences in perceived consequences.

EXPLORING OBJECTIVE CIRCUMSTANCES

Having surveyed some factors that should not influence our risk-taking decisions for an organisation (though of course they often do) it is time to survey the legitimate considerations.

What might be the consequences of each alternative course of action in the decision? For a large, risky decision this is much more than just making a best estimate of the direct financial consequences reduced to a net present value.

What alternative outcomes are possible and how would we stand financially at different points in time bearing in mind our financial reserves and the possible results of other activities? What if the predicted results occurred, but not at the predicted times? Could we face insolvency or breach limits on borrowing? What might be the implications for other investments we need to make?

We need to consider factors such as the predictability of cash from other activities, the amount of information, flexibility, and control we have, and how quickly problems could emerge - even if they are too complicated to model quantitatively.

A financial manager helping colleagues with risky decisions can provide valuable reminders of these key factors in a decision, can explore and quantify the direct and indirect consequences of alternatives, and can provide helpful information about the future context of predicted results.

DIFFERENT STAKEHOLDERS

In many decisions the various stakeholders will experience different consequences so it may be helpful to consider the future from their various perspectives. Even if you believe that, for example, a company's only legitimate stakeholders are its shareholders, it may still be helpful to understand the implications for employees, customers, and suppliers because their reactions will indirectly affect shareholders.

It may also be important to consider how consequences will be distributed. Making decisions using only averages is dangerous. For example, if employees are to be paid more on average but a quarter of them are to be paid less, that quarter may create strong resistance.

RELEVANT PERSONAL FACTORS

Personal factors are not always irrelevant. Imagine that your chief executive has risen through the ranks of a large company that somehow avoided major trauma. He struggles to cope with incomplete information, shocking news, and stress. He likes plans that are complicated, rigid, and based on far too many assumptions. Should these facts influence risk-taking decisions?

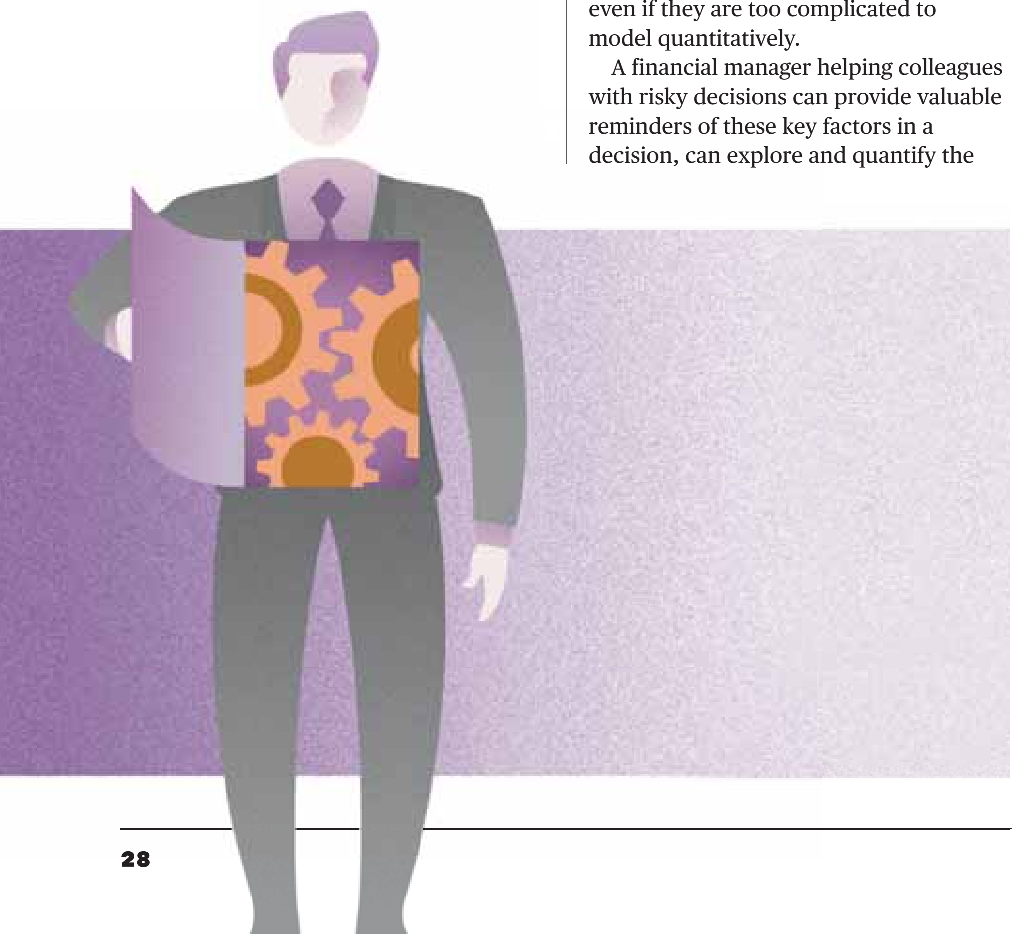
Well, if he is set to remain your chief executive then they should. Personal performance under pressure affects how he is likely to perform and makes a risky plan that much riskier.

Conversely, a top team with directly relevant specialist knowledge is better equipped to take on a risky plan that others should reject.

CONCLUSION

Some personal factors are relevant considerations in a good decision, but many are just sources of bias that should be managed as best we can. With multiple stakeholders involved, decision-makers in organisations cannot just do what suits them personally.

The secret of good risk-taking decisions is not to look inwards and explore your feelings; it is to look outward and forwards to understand what the future might bring and how outcomes of decisions will look in circumstances we might face in future. ●



TECHNICAL UPDATES

Our regular roundup of legal and regulatory change

TAX

NEWS AND UPDATES FROM THE TAX FACULTY WEEKLY NEWSWIRE. VISIT ION.ICAEW.COM/TAXFACULTY AND CLICK THE SIGN-UP LINK TO SUBSCRIBE FOR FREE

MAKING TAX DIGITAL: SPREADSHEET USE

On 15 November 2017, ICAEW's Tax Faculty met with HMRC to discuss Making Tax Digital (MTD) for VAT. Following discussions with businesses and agents we have expressed the paramount importance of spreadsheets in calculating figures to be reported on VAT returns and VAT liabilities in our response to the published VAT legislation overview consultation (see ICAEW rep 128/17).

On 18 December 2017, HMRC published draft VAT secondary legislation together with details of various software journeys businesses might take in order to comply with MTD for VAT. There are seven journeys in the document and it is example two which confirms that it will be acceptable to continue to use spreadsheets to calculate the VAT liability.

The spreadsheet must be able to prepare the VAT return figures which can then be automatically transferred into HMRC's system via an API (application programme interface) or bridging software. This is welcome news for those preparing the VAT figures as current processes may largely continue, but rather than re-key the figures into the nine boxes on HMRC's online portal, the totals will have to transfer at the touch of a button. It also means there is no requirement (at present) for data to flow 'hands free' directly from accounting systems through to HMRC.

But note that the long term plan is for the numbers to flow directly from accounting software, and software houses are gearing up for this.

The faculty discussed this issue in its demystifying MTD webinar in January, which is available to watch at tinyurl.com/BM-MTDwebinar

TAX RATES AND ALLOWANCES

Following the Budget on 22 November, the Tax Faculty has updated its guidance on rates and allowances.

All the rates for 2018/19 are now included, as well as 2016/17 and 2017/18.

The guide provides a summary of key tax rates, allowances and reliefs for 2016/17, 2017/18 and 2018/19. Additional and more detailed information can be found at the end of each section by following hyperlinks to HMRC guidance. Sections include:

- annual tax on enveloped dwellings;
- apprenticeship levy;
- car and van benefits;
- capital allowances;
- corporation tax;
- diverted profits tax;
- patent box;
- research and development relief; and
- research and development expenditure credit.

There are also detailed entries on indirect taxes, national insurance contributions and personal tax.

The guidance is available in full at tinyurl.com/BM-TaxRatesAllowances

TAXTALK SUMMARIES OF KEY TAX TOPICS

Have you thought about the possible tax consequences of Brexit? Or how about the recent Organisation for Economic Co-operation and Development (OECD) and EU proposals on mandatory disclosure? These are just some of the issues that the Tax Faculty has been discussing recently.

The team has also been considering a position paper, *Corporate tax and the digital economy*, published by HM Treasury, while at the same time the OECD has made its own separate request for input on work regarding the tax challenges of the digitalised economy.

To find out more, watch the technical managers Anita Monteith, Jane Moore and Ian Young in discussion during the first TAXtalk of 2018. The recording is available at tinyurl.com/BM-JanTaxtalk

EMPLOYMENT LAW

THIS SECTION IS SUMMARISED FROM THE BULLETINS OF VARIOUS LAW FIRMS AND ASSOCIATIONS. NONE OF THE INFORMATION IN THIS UPDATE SHOULD BE TREATED AS LEGAL ADVICE

PENSION ADVICE VOUCHER SCHEME

Since Finance (No. 2) Act came into force, employees have been entitled to sacrifice £500 of their salary in return for pension scheme guidance. Employers can also choose to reimburse the £500 as it is a tax-exempt benefit.

The idea is that employees take the advice on an annual basis, and in the process save in the region of £300 (based on an individual's tax code) on the cost of pensions planning guidance if they had obtained it elsewhere.

It was hoped that many people would take up the voucher offer due in the wake of the phased mandatory introduction of auto-enrolment, which brought more people into a contributory pension scheme for the first time. But *People Management* reported last month that the perk had been slow to gain traction.

Pensions experts have also suggested that the £500 fee may be off-putting to employers who have not researched beyond the headline benefits of the scheme.

See tinyurl.com/BM-SalarySac

RULING ON STAFF BREAK AGGREGATION

The Employment Appeals Tribunal (EAT) found that employers are not entitled to meet their legal duty to give staff a 20-minute rest break by aggregating shorter breaks.

The ruling came in *Crawford v Network Rail Infrastructure Ltd*, where a relief signalman had been expected to consider the five-minute rest breaks he was permitted as his total (20 minutes being the duration specified in regulation 12 of the Working Time Regulations 1998).

The EAT found that the system run by the employer was not compliant, and referred to the earlier case of *Hughes v The Corps of Commissionaires Management Ltd*.

See the judgement in full at tinyurl.com/BM-EATbreakruling

BUSINESSES IN DANGER OF MISSING MANDATORY GENDER PAY GAP REPORTING DEADLINE

Research by RSM concludes that up to 90% of companies required to file gender pay gap reports are not yet ready to comply with the new law.

Gender pay data – broadly speaking the averages earned by men and women including bonuses – should be published in time for the 4 April 2018 deadline by all companies with more than 250 employees. Public sector bodies are required to comply by 30 March 2018.

The accountancy body behind the survey of 9,000 businesses said that many are likely to be preparing accompanying narrative data to go with the pay gap data. Although the narrative is not a legal requirement, using it allows the business to explain disparities caused by part-time workers, users of flexible workplace arrangements and those who take salary sacrifice benefits.

The full governmental requirements for gender pay gap reporting can be found at tinyurl.com/BM-GenderPayGap

EMPLOYERS WOULD PREFER A TRAINING LEVY OVER APPRENTICESHIP LEVY

A survey by the Chartered Institute of Personnel Development (CIPD) has found many employers subject to the apprenticeship levy to be lukewarm about it benefits. Just 17 of the 1,000 businesses polled said they supported it in its current form.

In addition, 53% of those paying the charge would prefer to have it remodelled as a training levy. And in a blow to the government's hopes for the scheme to kickstart a revival of apprenticeships as a route into work, almost a fifth of firms paying in didn't plan to create apprenticeships, but would write off the tax instead. That figure rose to 35% for SMEs.

The CIPD's Lizzie Crowley said that some employers felt the levy was a "straightjacket", adding: "Apprenticeships are extremely important, but other forms of training are equally valuable and often more flexible and better suited to the needs of organisations."

On rebadging training, Crowley added: "An increasing proportion of apprenticeships are going to existing and often older employees, including already well-qualified managers."

FINANCIAL REPORTING

YOU CAN FIND OUT MORE ON THE LATEST FROM THE FINANCIAL REPORTING FACULTY AT ICAEW.COM/FRF

TRIENNIAL REVIEW AMENDMENTS

The amendments to FRS 102 as a result of the triennial review were released in December 2017. The amendments are mainly editorial in nature or aimed at clarifying accounting treatments. Five of the more significant changes are:

- simplified measurement of directors' loans to small entities;
- fewer intangible assets to be separated from goodwill in business combinations;
- investment properties rented to another group entity permitted to be measured at cost, rather than fair value;
- expanded circumstances in which a financial instrument may be measured at amortised cost, rather than fair value; and
- a simplified definition of a financial institution.

The amendments also incorporate the proposals of FRED 68 *Draft Amendments to FRS 102 – Payments made by subsidiaries to their charitable parents that qualify for gift aid*. In addition, changes to the disclosure requirements of FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime* have also been made to reflect UK legal requirements.

The amendments are not mandatory until accounting periods beginning on or after 1 January 2019, although the changes to FRS 105 are applicable for accounting periods beginning on or after 1 January 2017. But early adoption is available, and the options will require careful consideration. It is possible to adopt the changes relating to directors' loans and gift aid on a standalone basis, but otherwise early adopters have to apply the changes in full.

The Financial Reporting Faculty will be producing a variety of resources over the coming months to assist businesses transition to the revised regime, including a webinar on 22 March.

To find out more and book, visit icaew.com/frfevents

IFRS ANNUAL IMPROVEMENTS

The IASB has issued its *Annual Improvements to IFRS Standards 2015-2017 Cycle* making narrow-scope amendments to four accounting standards:

- IFRS 3 *Business Combinations;*
- IFRS 11 *Joint Arrangements*;
- IAS 12 *Income Taxes;* and
- IAS 23 *Borrowing Costs*.

The amendments are effective from 1 January 2019, with early application permitted. See tinyurl.com/BM-Cycle1517

THEMATIC REVIEWS FOR 2018/19

The FRC has announced its 2018/19 thematic reviews to stimulate improvement in corporate reporting and auditing. The reviews will focus on areas of particular interest to shareholders as well as where there is scope for improvement and learning from good practice. For corporate reporting, the topics are:

- targeted aspects of smaller listed and AIM quoted company reports and accounts;
- the effect of new revenue and financial instrument IFRSs on companies' 2018 interim accounts;
- the expected effect of the new IFRS for lease accounting; and
- the effects of Brexit on companies' disclosure of principal risks and uncertainties.

For audit the topics are transparency reporting and audit quality indicators. Read the press release at tinyurl.com/BM-Thematic

STRATEGIC REPORT GUIDANCE DELAYED

The FRC announced that amendments to its *Guidance on the Strategic Report* will be delayed until after the government has issued legislative changes relating to the reporting on directors' section 172 duties to promote the success of the company. The FRC had been consulting on amendments to its guidance, intending to incorporate the requirements of the new non-financial reporting regulations in order to enhance the link between the strategic report and directors' section 172 duties. As the government's legislative changes, expected in March 2018, are likely to result in amendments to the existing strategic report requirements it was decided to also delay finalising the guidance.

DIGITAL CORPORATE REPORTING

The FRC's Financial Reporting Lab has called for collective action to promote digital corporate reporting in its latest report *Digital future of corporate reporting* published in December. The report concludes that XBRL is an important technology in digitising corporate reporting and urges regulators, companies, investors and technology providers to work together to realise its full potential.

Access the report at tinyurl.com/BM-LabDigi

A REVISED CORPORATE GOVERNANCE CODE

The FRC announced proposals for a revised UK Corporate Governance Code to reflect the changing business environment and to help UK companies achieve the highest levels of governance. The revised Code focuses on the importance of long-term success and addresses issues of public trust in business. It also aims to ensure the attractiveness of the UK capital market to global investments through Brexit and beyond.

Read the press release and proposals at tinyurl.com/BM-TheCode ●

ON A LIGHTER NOTE

NEW YEAR, NEW OPPORTUNITIES

Last month, Hays issued research revealing skill and job trends that employees and employers expected to see in 2018. The recruitment specialist estimated more than half of employees in the UK (55%) were looking for new opportunities. In terms of jobs, accountancy made the top 10 – but only those who are part-qualified. The most sought after job opportunities in 2018 are as follows:

1. IT security architects
2. Data analysts
3. Risk analysts
4. Part-qualified accountants
5. Civil engineers
6. Payroll team leaders
7. Java developers
8. Safety case engineers
9. Building surveyors
10. Project managers

SO BOARD WITH THE PRESS

Politicians are experts at ignoring awkward questions, but Thailand's prime minister took this to a new level at a a press conference last month with a cardboard cutout of himself. Prayut Chan-o-cha appeared ready to answer questions on failed promises of elections and growing unrest, when an aide set up the cutout at a microphone. The PM then walked off, telling the waiting press to address questions to his alter ego.

A POT OF GOLD

As California becomes the sixth state in the United States to legalise the recreational use of marijuana (with a 15% tax rate), Australia announced last month that it would lift the ban on medical exports. The country is aiming to score a piece of the significant global market, which is estimated to be worth $55.8bn by 2025. Uruguay, the Netherlands, Canada, and from this year, Israel, are the only other countries where exports of medical marijuana is authorised. In California, the legal marijuana industry is valued at $7bn, and is expected to generate $1bn a year in taxes.

55%

PERCENTAGE OF UK WORKERS WHO WANT A NEW CAREER THIS YEAR

$1BN

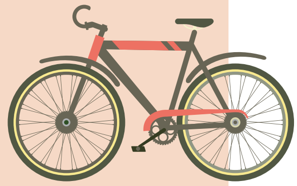
THE AMOUNT THAT LEGAL MARIJUANA SALES WILL RAISE IN CALIFORNIA

£5.75

THE PRICE TO PAY FOR SEEING YOUR MUG IN A MUG OF MILKY COFFEE

STREETS PAVED WITH... BIKES?

Chinese-bike-sharing start-up Ofo was the latest firm in London to offer bicycles for hire, joining the likes of Obike, Mobike and Urbo, and giving the City at least 200 cycles that can be locked and unlocked via an app. While Londoners are given more opportunities to ride around, the fact bikes can be left (and are being left) anywhere may create a problem for business investors if the scheme encounters the problems it has had in China. The Urban Management Bureau has cleared thousands of bikes off the streets of Xiamen, which have yet to be reclaimed by the companies involved. Several London boroughs, including Wandsworth and Hammersmith & Fulham, have started to remove bikes from the streets in the UK.



I'LL TAKE A SELFIECCINO TO GO, PLEASE

We humans have an odd vanity to see our faces on items, but one cafe may have gone too far. The Tea Terrace, in House of Fraser's Oxford Street branch, has become the first to offer 'selfieccinos' – hot drinks with a self-portrait inked in food dye. Photos emailed to the barista are then printed in the milk froth of either a cappuccino or hot chocolate for £5.75. Ehab Salem Shouly told the *Metro*: "It's not enough any more to just deliver great food and great service – it's got to be Instagram-worthy."

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