

Business & Management

EXECUTIVE DECISION

KEY POINTS FROM
THE NEW BUSINESS
PERFORMANCE REPORT

TIDY UP YOUR INBOX

STAY ON TOP OF YOUR
EMAILS WITH OUR
ROUNDUP OF APPS

GOING TO THE TOP

THE BEST WAYS
TO IMPROVE YOUR
ELEVATOR PITCH



WHERE TO NEXT?

Exploring the future world
of work and how the latest
trends affect finance teams



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MD

July/August 2018 Issue 266

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FUTURE OF WORK

In the first of a new series, Alison Coleman explores how major trends are shaping the industry



COVER ILLUSTRATION: CHARLIE DAVIS

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SPECIAL DELIVERY

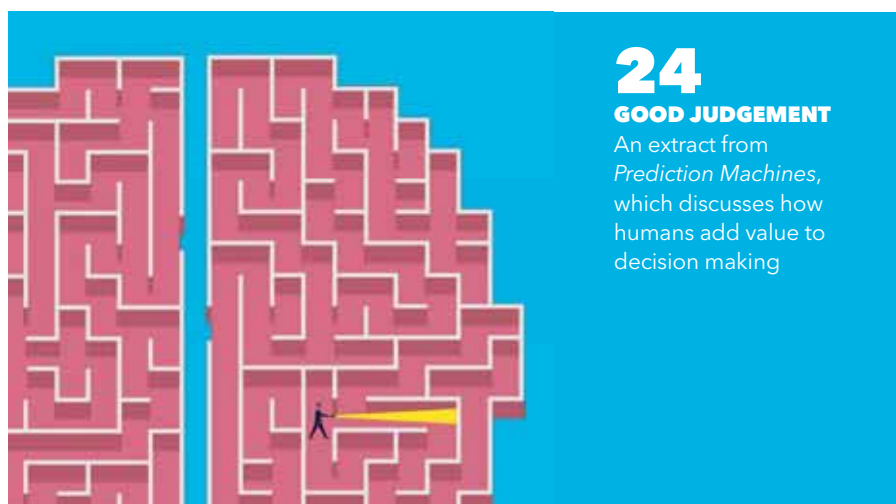
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An extract from *Prediction Machines*, which discusses how humans add value to decision making



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GO GO GADGET...



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Staying put



Much of the attention focusing on the discussions surrounding our future relationship with the EU has been looking at inward investment, measured by many as a bellwether for economic success. The UK has been the most popular country for foreign investment for decades, with nearly 30% of large UK businesses (companies with more than 250 employees) now owned by foreign entities.

The United States is the largest investor with more than 5,000 (according to the Office for National Statistics) businesses, while France, Germany and the Netherlands each hover around the 1,500 mark. There are advantages and disadvantages of this investment. The Economic and Social Research Council (ESRC) issued a very short paper, *Foreign ownership and consequences for British business*, summarising the research into foreign ownership, arguing that while the overall effect of it is beneficial, the impact on local communities varies. All industry sectors experience plant closures and redundancies as a result of foreign takeover (and as a result, productivity has increased).

Research by Walid Hejazi and Peter Pauly (2003) showed that investment decisions by large corporations were driven by market access, price differences and intra-firm trade. However, decisions are also driven by corporate strategy and country-specific factors, as Farok J Contractor found in 1984. Overall, companies invest to generate profits. Robert Harris and David Ravenscroft (1991) concluded that US companies generate more wealth gains by purchasing foreign companies than they do purchasing US ones.

One major effect that the ESRC report touches on is that "policymakers should be better informed about the corporate objectives, management style and track record of large multinational organisations". This insinuation of political decisions affecting the UK can be seen with some large overseas companies attempting to influence government decision-making. In particular, the threat by Airbus to withdraw investment from the UK if it makes any decision over the single market and customs union which is not in the company's interests is extraordinary.

Airbus, itself with significant French and German government ownership, may not have been entirely rational when it made its threat to withdraw from the UK. The company decided to continue making wings in Wales after BAE sold its stake in the company in 2001, presumably on economic grounds. Any decision to withdraw should be based on similar logic.

We hope that you have a great summer and enjoy reading this magazine. Please contact matthew.rideout@icaew.com or robert.russell@icaew.com if you have any comments or suggestions for *Business & Management*.

Robert Russell
Technical Manager

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Annual membership of the faculty costs from £98 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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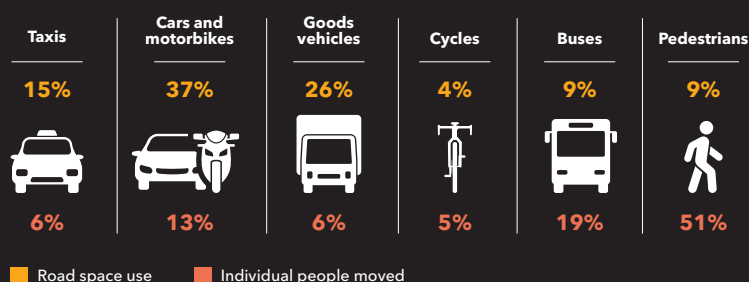


NEWS



MOTOR VEHICLES CROWD OUT PEDESTRIANS

Published last month, the City of London's *Traffic in the City 2018* survey data from 2017 included pedestrians for the first time. The daytime pedestrian count of 354,000 represents more than half of all movements. Daily car traffic is still second (at 37,500 daytime vehicles per day), closely followed by cycles with 35,500 daytime counts. Compared to 20 years ago, car and taxi traffic has fallen by almost half. Interestingly, the survey also includes a comparison of road space used by each category, shown below. The full report can be found at tinyurl.com/BAM-TITC



DOUBLE SUCCESS FOR IBM



IBM's Watson artificial intelligence software received praise from the All England Lawn Tennis Association for its ability to analyse television footage and identify highlights for human audiences across the world based on player's emotions.

Meanwhile, IBM's Crew Interactive Mobile Companion (CIMON) was flown to the International Space Station to assist humans with their research. CIMON will reduce the amount of time required to run experiments.



354k

NUMBER OF
DAYTIME
PEDESTRIANS
IN THE CITY OF
LONDON IN 2017



45%

OF THE WORLD'S
PLASTIC REFUSE
HAS TO FIND A
NEW HOME
THANKS TO
CHINA'S BAN

STILL EXPORTING PLASTIC

China's ban on imports of non-industrial plastic waste, introduced in January this year, has meant 45% of the world's plastic refuse, some 10 million tonnes, has to find a new home. Despite environment secretary Michael Gove saying six months ago that the UK had to "stop offshoring dirt", a recent report from Greenpeace found that the UK is simply now exporting plastic waste to Malaysia, Vietnam and Thailand instead. Find the full report at tinyurl.com/BAM-GP-Plastic



WE'RE GOING GREEN, SAYS VOLVO

Volvo has become the latest car manufacturer to announce that it will only make hybrid and electric cars from 2020. A subsidiary of Geely Holding Group, Volvo makes about 600,000 cars a year. The announcement followed BP's purchase of the UK's largest network of electrical car chargepoints, Chargemaster, which it plans to integrate into its existing petrol stations.



FOOTBALL'S COMING TO AMAZON

Months after it purchased the rights to stream the NFL's Thursday Night Football, Amazon announced that it has acquired the streaming rights to 20 football matches from the English Premier League for the 2019/2020 season, becoming only the third player showing top-flight football after Sky and BT. The Football Association sold a similar package of games to BT for £90m, while Sky paid £3.75bn for a three-year deal.



600k

NUMBER OF
CARS VOLVO
MAKES PER YEAR



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Member saving	£4,455.00
Revised on the road price	£31,505.00
Total amount of credit	£24,110.00
Interest charges	£2,201.77
Total amount payable	£33,706.77
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*Finance subject to status. Retail sales only. Subject to availability at participating retailers only on vehicles registered by 30th September 2018 on Personal Contract Purchase. Terms and conditions apply. Applicants must be 18 or over. Guarantee may be required. Santander Consumer (UK) PLC trading as Volvo Car Financial Services, RH11SR. The complementary servicing offer is only available when purchasing on Volvo Advantage Personal Contract Purchase at participating retailers, on vehicles ordered between 01/07/2018 and 30/09/2018. 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

ALL WEBINARS AND EVENTS
ARE FREE FOR FACULTY MEMBERS



EVENTS

ICAEW.COM/BAMEVENTS

NEGOTIATING AND PERSUADING

19 September 18:00

"To jaw-jaw is always better than to war-war," as Winston Churchill is reputed to have said at a closed meeting with the US president. But poor negotiating skills have landed many in trouble over the years. The inability to influence and persuade others is frustrating and can be counter-productive. In this lecture, David Gillespie will teach the approach to take when wishing to influence others, providing some practical tips to give you an edge in all your business communications.

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

WEBINARS

ICAEW.COM/BAMWEBINARS

20-MINUTE LUNCH WEBINARS

STATISTICS SKILLS IN EXCEL – BASS DIFFUSION CURVES AND MARKET SHARE

We go back to basics for this series of Excel statistics webinars, offering 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 tools to use with bass diffusion curves for market development, addressable market and market share. This webinar is set at a basic level – no previous knowledge of statistics is required.

This webinar aired on 18 July. To view the webinar, please visit tinyurl.com/BAM-StatsExcel

STATISTICS SKILLS IN EXCEL – DISTRIBUTION CURVES AND FORECAST PROBABILITIES

25 September 12:30

Continuing the back to basics theme, John Tennant will talk us through the use of normal distribution curves and Monte Carlo simulation to measure the impact of uncertainty in financial modelling.

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

MANAGING CURRENCY LOSSES

3 October 12:30

Sterling has seen fluctuations of more than 7.5% against the US dollar over the last six months. This has prompted higher business concern over the management of dealing with overseas currencies. This practical webinar presented by Moneycorp will cover the low-cost, easy and efficient ways to help to protect against currency losses, which would otherwise affect the profitability of your business.

To book a place, please visit icaew.com/lunchoct3

FINANCIAL FRAUD

17 October 12:30

A significant proportion of all business fraud is committed by someone on the inside – a member of staff. Most internal fraudsters display certain behavioural traits or characteristics called red flags. This webinar, the last in the series for 2018 presented in conjunction with the Fraud Advisory Panel, will explain some of the common warning signs that may indicate there is a problem and assist you to detect fraud at the earliest opportunity.

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

FREE 60-MINUTE WEBINARS

THE SIX CONVERSATIONS TO HAVE WITH YOUR BOARD

2 October 10:00

Jonathan Boucher of Board Intelligence shares some practical and interesting tips around the six conversations your board should be having.

In this webinar he will share where boards spend their time and how you can design agendas that focus on what really matters.

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

E-LEARNING

LEADERSHIP IN THE ERA OF DISTRACTION

9/10 October 9:30-11:00

From £85

The immediacy of technology has led to a distorted sense of urgency for many, and can lead to a loss of focus and productivity. Leadership needs to take charge and lead the troops back to productivity, innovation and a good work-life balance. This three-hour e-lecture, split over two days and delivered by David Parmenter, will cover people orientation and the personal skills needed to become a better leader.

To book a place, please visit icaew.com/leadership18

Can your statutory accounts production tools or templates tick all of these boxes?

- | | | |
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TAKE ME TO THE TOP

If you want to create the perfect elevator pitch for promoting your business when opportunity knocks, Charlie Mellor has some tips



Does your heart fill with dread when you're asked "tell me what you do"? Then it's time to conquer trepidation about self-promotion with a simple strategy that will help you to promote your business effectively – or to sell yourself.

Known as the elevator pitch, the idea is to prepare a compelling 60-second speech that sums up your business in about the time it takes a lift to travel up or down a building. At its heart is the golden rule of simplicity so that your listener can readily engage with what you're talking about – and hopefully be persuaded into a positive response.

SHORT AND SWEET

To lure your audience in, begin with "a very engaging opening line", says Luisa Baldini, co-founder of Composure Media. "Do not begin with your title," she adds, as it's important to give "a little bit of your story" that led you to this point.

For Paula Hutchings, founder of Hampshire-based Marketing Vision Consultancy, your story encapsulates the essence of an elevator pitch. She suggests having ready one- or two-sentence answers to four key questions in case you are asked them:

- What do I do?
- What problem do I solve?
- How is the product or service I provide unique?
- How can I assist you?

"The idea is to communicate your key selling points in an engaging and memorable way," says Hutchings. "And to be able to deliver this pitch comfortably at any time – at a networking event, during a formal presentation, or over a casual coffee."

NATURAL NOT FORCED

"Don't sound too formal with lots of business, management or technical jargon. Everybody's heard that all before," says Baldini, adding: "Phrase it conversationally and authentically." Your audience needs to understand instantly what you're saying, whether or not they are a business expert or statistician.

Remaining natural is key. "Don't try to use language that feels awkward and unfamiliar – it will come across in your pitch," explains Hutchings. "If, for example, your brand values are around being approachable, friendly and knowledgeable – your phrasing and style should reflect this and not be too formal or alienating."

"Don't try to use language that feels awkward and unfamiliar – it will come across in your pitch"

ONE FOR ALL?

One-size-fits-all solutions rarely do. It's the same with your perfect pitch. What works for a customer is unlikely to excite an investor and vice versa. "You will need to tweak your pitch depending on your audience and on what you're trying to achieve with it," advises Baldini. Hutchings agrees: "If you're speaking to a potential new distributor or retailer about your product, you will tweak your elevator pitch focus versus talking to a potential consumer or customer."

So does that mean memorising numerous scripts? Not necessarily. If you take on board Hutchings' idea of addressing four key questions, then she believes there's only one answer that needs reworking depending on your audience. "The 'how can you help me?' question part of the pitch will be different for each group," she says. "A retailer will be concerned with margins, impact on category, growth potential and so on. Whereas a consumer will want to know about the product's benefits, such as ease of use, making their life simpler, reducing stress, etc."

And finally, nothing beats running through your elevator pitch out loud before you use it. Why? "You want your pitch delivery to sound natural but not over-rehearsed," concludes Hutchings. "The more you practice – and use it in real situations – the more at ease you will sound." ●

Engaging in pleasant activities on your holiday and collecting memories can prolong the vacation effect after your return to work. However, the thought of returning to a huge backlog of emails that need addressing can wipe out any goodwill rapidly. Some forward planning might assist - you can manage expectations by writing an appropriate out of office message - but many email tricks (such as deleting any CC messages) only work for a short while until colleagues establish a way to bypass them.

One very practical suggestion is to state that you are not returning until the day after you get back to work in your out of office reply and set aside half of that extra day to clear the email backlog. There are, however, some brilliant apps that can assist you with email management, even when you are not on leave. Take a look at the following examples to see what they have to offer you.



SHIFT

Shift allows you to access and use all of your email accounts and WhatsApp in one application, using your primary email to access the service and adding any other email accounts. Any Google Apps can be added to the account and it works with Windows, Mac and Linux.

See tryshift.com

IFTTT

IFTTT - If This Then That - offers brilliant productivity improvement opportunities. The app connects your other apps and devices with logic statements, referred

to by the software as "recipes". IFTTT can automate some of the more tedious actions that you would otherwise have to take, and warn you of events that need action, eg receiving a text message when you receive an email from a specified person or to notify you of birthdays, sending reminders later in the week for all starred emails, track your work hours into Google spreadsheets and to backup 'liked' photos on Facebook.

See IFTTT.com

FOLLOWUPTHEN

This clever app reminds you to reply to an email, to follow up on specific emails, forward all your incoming emails to any later date and even sends SMS messages to your future self to remind you of urgent tasks. You can include recipients as well if you'd like and schedule the date when they all arrive. This app works with all email applications and is free for the first 50 reminders a month.

See followupthen.com

YOU'VE GOT MAIL

When it comes to messages, it's easy to lose control of your inbox. However, you can stay on top of things with these handy apps recommended by the Business & Management Faculty





HUBSPOT SALES

More of a marketing tool, the app opens the past contact history of a sender when you open an email from them. It can also notify you whenever someone opens links in emails you have sent, tracks ROI on social media and schedules emails. You can even create templates for emails regularly sent. Hubspot integrates with both Gmail and Outlook, and a limited version is free.

See hubspot.com

MAILBIRD

Mailbird is an email client for Windows – it unifies both your inbox and apps by rolling your email and calendar, task, and messaging apps into one customisable interface. The free version has limited functionality, but the premium one offers the option to snooze emails.

See getmailbird.com



SORTD

Sortd organises your inbox into a flexible set of lists in columns. This allows your emails, to-do lists, and priorities to live together in one place, and lets you easily drag-and-drop emails from column to column.

See sortd.com

GOOGLE INBOX

This app, which only works for Gmail, pools your emails into tasks and offers a snooze option for received emails. It also holds back emails until you have reached a pre-specified location and is geared specifically to work well with mobiles.

See inbox.google.com

SET UP A STANDARD TEMPLATE RESPONSE IN GMAIL

1. Click the gear icon in the upper right-hand corner and choose Settings.
2. Click the Labs tab, find Canned Responses at the top, and click Enable. Scroll down and click Save Changes.
3. Compose a new email and click the little arrow in the bottom right-hand corner of the new email.
4. Choose Canned Responses and then New Canned Response.
5. Name your new template, write it, and save it.

SET UP A STANDARD TEMPLATE RESPONSE IN OUTLOOK

In Outlook, the best option is found by misusing the signature feature.

1. On the Outlook menu, click Preferences. Under E-mail, click Signatures.
2. Click the plus icon to add a new signature.
3. A new signature will appear under Signature Name with the label Untitled. Double-click Untitled and then type in a new name for your canned response.
4. In the right pane, type the template response.
5. Add the template by clicking in the message body, choosing the Message tab, clicking Signatures and choosing the required response from the list.

SIMPLYFILE

While Outlook lacks the organisation tools other email clients have, SimplyFile is one that'll help you spend less time filing your email. It adds a toolbar (or ribbon tab) to your inbox, with different, customisable files, which are easily accessible so you can file new emails quickly. When an email comes in, simply drag it into the appropriate folder. You can organise messages you're receiving in your inbox, as well as messages you're sending, and you can file as you send them.

See techhit.com/SimplyFile



SANEBOX

This app, which is not free, files emails into categories and prioritises them rather like a spam filter. SaneBox analyses incoming emails to determine how important they are based on previous interactions; only emails deemed important remain in the inbox, with the rest filed into separate folders to be dealt with later. It also allows you to unsubscribe from emails and sends attachments to Dropbox.

See sanebox.com

THE EMAIL GAME

This fun and free app transforms dealing with overwhelming emails into a game, and might be a relief if you dread the thought of clearing your inbox on return from holiday. You will have five seconds to decide what action you want to take – boomerang, archive, delete or skip. You get a certain number of points for each action and you're penalised if you go over time, which can be adjusted. You only have three minutes to respond if you decide that you'd like to reply.

See emailga.me



UNROLL.ME

This handy free app allows you to unsubscribe from multiple lists in one go. Unfortunately, it is currently not available in any EU countries due to GDPR.

See unroll.me ●

For all the talk about business anxiety and uncertainty over the future, overall the UK's medium-sized businesses (MSBs) appear positive about the prospects for the future. According to *Mid-Market Britain 2018: The view from the boardroom*, almost two-thirds (61%) expect the UK economy to grow, and a similar proportion expect their sector to grow. Even more (67%) expect to grow business revenues over the next 12 months, with a slightly smaller proportion (63%) expecting profits to grow as well. Almost a quarter (21%) expect growth of more than 5%, and 7% expect to grow by at least 10%. Businesses at the larger end of the MSB scale are slightly more positive in their growth forecasts.

EXPORT-FRIENDLY BUSINESSES

Evidence from this survey suggests that 73% of MSBs export and, on average, make 22% of their sales from abroad. Perhaps, unsurprisingly, the pattern of

this export behaviour mirrors that of trade flows generally, with the EU the largest single destination for MSB exports, followed at some distance by the US.

A smaller proportion of firms (49%) are importing goods or services, accounting for an average of 35% of all purchases. There is considerable overlap between importers and exporters, with 42% of MSBs importing and exporting. Nevertheless, there remains an opportunity for further growth in trade, with around a fifth of MSBs doing no international trade at all.

THE EU REMAINS A FOCUS

As previously suggested, the vast bulk of exporting MSBs are selling to the EU, with 85% of exporting MSBs selling into EU markets. These sales to the EU account for around 58% of all export sales by MSBs. The US is the second most important market, with 37% of MSB exporters exporting goods or services there (which account for 13% of

all MSB exports). With such a focus on the EU, it is natural that the ongoing uncertainty over post-Brexit trading arrangements with the EU is a cause for concern among those running MSBs.

In anticipation of what might be coming down the track, 18% of MSBs have already established new offices in the EU, with a similar proportion currently seeking to establish EU offices. In general, Brexit was cited by almost half of all businesses as a challenge for expanding exporting to new geographic markets.

However, it is also possible to overplay the significance of the EU market to this sector. In total just over a quarter are focused totally on the UK market and do not export at all. A further quarter are exporters who only export to the EU and who can expect their business to be at least somewhat disrupted by Brexit. But almost half of all respondents have more complex export arrangements and export to a wider range of countries beyond the EU.

The results are in, and the UK's medium-sized businesses are feeling positive about the future. Here we dissect NatWest's report on mid-market Britain in 2018

THINGS ARE LOOKING UP

Furthermore, 37% of MSBs anticipate that Brexit will have a significant or considerable impact on their business over the next year. But what was most striking was the fact that more perennial, business-as-usual issues such as workforce and management issues, costs and competition were seen as far more common challenges.

PRODUCTIVITY

The UK government has identified reducing the productivity gap as a major policy objective, and placed it at the heart of its Industrial Strategy. There is good news in this survey on the subject of how the leaders of MSBs perceive their own recent achievements in boosting productivity over the last 12 months. Overall, 55% of MSBs claim productivity had increased over the 12 months prior to the survey and 59% expect it to improve in the year ahead. This positive outlook improves significantly according to the size of the business, with 64% of businesses with a

turnover above £50m having experienced productivity gains in the last 12 months and 74% expecting further gains in the year ahead.

There is a clear link between productivity growth and the export profile of MSBs, with non-exporters and EU exporters less likely to report productivity growth over the last year than global exporters. They are also less likely to anticipate productivity growth over the next year. While this may be linked primarily to business size (with larger MSBs more likely to export globally and also see productivity gains) this does suggest the virtuous circle between exporting and productivity and, in particular, the potential contribution to productivity growth of trading beyond the bounds of the EU.

The report's authors suggest that the stronger focus on productivity improvements among global exporters may relate to their need to compete in the toughest international

DETAILS OF THE SURVEY

Published by NatWest, and with research conducted in association with Warwick Business School, *Mid-Market Britain 2018: The view from the boardroom* is based on interviews with 861 leaders of medium-sized businesses (MSBs) conducted in April and May 2018. For this report, MSBs were identified as those with a turnover of £5m-£250m. The latest figures from the Office for National Statistics suggest there are 55,400 such businesses in the UK, accounting for about 2.1% of UK businesses.

INTERNATIONALISATION OF MSBs



MID-MARKET BUSINESSES ARE RELATIVELY OPTIMISTIC ABOUT THE NEXT 12 MONTHS

61%

EXPECT THE UK ECONOMY AND THEIR SECTOR TO GROW

67%

EXPECT THEIR GROSS REVENUES TO INCREASE

63%

EXPECT THEIR OPERATING PROFIT TO INCREASE

73%

OF MID-MARKET BUSINESSES EXPORT

The current state of the UK workforce and in particular the lack of sufficient skilled workers remains a major concern for the leaders of MSBs

markets. This, they claim, is consistent with recent OECD reports that have highlighted higher productivity levels in so-called frontier firms, which tend to be larger and trade globally, and lower productivity in non-frontier firms, which are smaller and focused on domestic markets.

OTHER CHALLENGES REMAIN

The current state of the UK workforce and in particular the lack of sufficient skilled workers remains a major concern for the leaders of MSBs. Cited as the top concern for such business leaders was attracting employees with the right skills (40.8%), while having attracted the right people, retaining them is also an important challenge (retaining key and talented employees was cited by 37.7%). Perhaps most worryingly, this shortage of talent stretches right up through the business with attracting top managerial talent cited by a similar number (37.2%).

The other main set of concerns for those leading MSBs was the more fundamental issues of how to maintain and grow a profitable business. The second most cited challenge was lower price expectations from customers (38.1%), while keeping costs and overheads down was cited by 37.3% of MSB leaders, who also cited securing orders and winning business (36.3%) as a challenge. Well over half of all MSBs (57%) also agreed that sustainability is “extremely” or “very” influential in their decision-making. ●



For more details or to read and download the report, visit tinyurl.com/BAM-NatWest

PRODUCTIVITY GROWTH BY MSB SIZE BAND

DECREASE SAME INCREASE

ALL FIRMS

12% 33% 55%

PAST 12 MONTHS

10% 31% 59%

NEXT 12 MONTHS

£50m+

7% 28% 64%

PAST 12 MONTHS

6% 20% 74%

NEXT 12 MONTHS

THE MOST COMMON CHALLENGES FOR MSBs

ATTRACTING EMPLOYEES WITH THE RIGHT SKILLS

40.8%

KEEPING DOWN COSTS AND OVERHEADS

37.3%

LOWER PRICE EXPECTATIONS FROM CUSTOMERS

38.1%

ATTRACTING TOP MANAGERIAL TALENT

37.2%

RETAINING KEY/TALENTED EMPLOYEES

37.7%

SECURING ORDERS/WINNING BUSINESS

36.3%

37%

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A quick look around your office will show you that the workplace is changing. Demand for more flexible ways of working has seen a boom in approaches such as shared spaces and co-working. While these all have an effect on the way we work, what will change for the finance function? Over the page, in the first in a new series of features on the future world of work, Alison Coleman examines some of the major trends shaping today's organisations

ILLUSTRATION BY CHARLIE DAVIS





TOP TIPS FOR CFOS

The pace of workplace transformation presents huge challenges for organisations. For senior finance leaders who want to stay ahead of the change, Richard Chiumento, CEO of Rialto Consultancy and Rialto Accelerated Leadership Index has the following advice.

Get tech savvy

Identify which services or functions are most likely to be automated in the short or mid term and explore the impact that technologies such as artificial intelligence and machine learning might have on both the workforce and customers. Not only will such technology change employees' roles, it will also create new ones.

Own the transformation

Be proactive in communicating a clear future vision for the finance department to the board and make a compelling business case for any training and resources required to improve workforce skills.

Engage people in the new world of work

As well as upward communication to the board, make sure that employees and finance staff feel they have a voice and some control over the future workplace. Radical change programmes have more chance of succeeding where there is a culture of trust and transparency.

Build a network of peers

Communicate regularly inside and out of the organisation to find and share information. Attend as many finance training events as possible to stay abreast of new and emerging trends and issues. And importantly, the more you know, the more you should share with your teams and colleagues.

The world of work is changing rapidly, with disruptive technologies, generational shifts and social trends redrawing the workplace landscape in terms of where, when and how people do their job; not just now, but into the future.

The Future of Skills: Employment in 2030 report, published by Nesta, highlighted a number of key technology trends including automation, nanotechnology and the Internet of Things that will have an impact on employment, with implications for skills and even the emergence of many new occupations. Globalisation and an ageing population were also identified as influential factors that will shape the workplace of the future.

The chief financial officer (CFO) and the finance team as a whole have a significant role to play in this transformation, their focus shifting more and more from processing transactions and monitoring the balance sheet to data analytics, disruptive technology and effective people management.

Changes to the physical workspace and the structure of the working day are just two of the trends driving radical changes to employment. Traditional office settings and working hours are giving way to less formal, more fluid environments where people can organise themselves in groups around solving a specific task, where they need to work very closely together, or find a quiet space to work in solitude.

It is a style of working that supports a good work-life balance and productivity. Increasingly it is the CFO who is driving the holistic workplace strategies that lend themselves to greater productivity and business growth, as new research from office technology firm Ricoh Europe and Oxford Economics has revealed.

The Economy of People found that if organisations were to optimise every aspect of the workplace, including environment, layout and design, the UK could increase GDP by 1.8%, equivalent to £36.8bn. However, it also revealed that executive opinions were divided on where investment should go in order to achieve this growth, with only 77% of chief executives believing in the potential impact of technology infrastructure, compared with 87% of CFOs.



"As the executive with the greatest visibility into the organisation's financial performance, it will fall to the CFO to initiate conversations with the broader team on workplace strategies that are working or need improvement," says Rick Hewitt, Ricoh UK's finance director (FD).

Ricoh's research found that commitment to ethical and sustainable business practices is quickly rising as an essential component of culture. 71% of millennials and 73% of generation Z employees feel their organisation's approach to ethics and sustainability positively affects their productivity and performance. This is in comparison to older generations of employees who ranked this as more important.

On a related note, only 73% of millennials report that incentives for innovation enhance their performance and productivity, in comparison to 88% of employees age 38-52 and 83% age 53 and older. But generation Z presents a more complicated scenario as 90% feel

"It will fall to the CFO to initiate conversations with the broader team on workplace strategies that are working or need improvement"



incentives for innovation are important.

Within the modern workplace a number of trends have potential to optimise working practices in a cost effective way. Hot-desking, for example, creates some efficiencies around managing space and cost. And with the modern workforce becoming increasingly flexible in nature, companies need this capability to expand and contract their workspace in line with seasonal workforce demand, size of projects or overall company performance.

The real financial benefits of hot-desking depend on the existing infrastructure, as Saira Demmer, former CFO and current UK chief executive of talent solutions consultancy Ignata, explains: "Businesses with technology that lends itself to this way of working, such as accessible web systems and secure remote server access, can make a direct financial saving straight away."

For some organisations, the costs will outweigh the financial benefits of having

77%

Amount of chief executives who believe in the potential impact of technology infrastructure

fewer desks, at least in the short term. Nevertheless, the long-term intangible benefits of a happier and potentially more productive workforce are likely to be key drivers of growth and performance business-wide.

THE PROS OF WORKING TOGETHER

Similarly, behind the rise of co-working and shared hubs and spaces is the opportunity to reap financial benefits. In typical singular office spaces, the need for additional "non-productive" space for communal areas such as kitchens and bathrooms creates financial inefficiencies. This can be improved by sharing the working space, the amenities and the costs with other firms.

David Horne, founder of consultancy Add Then Multiply, and previously CFO in a number of fast-growing companies, says: "Co-working spaces are very convenient for businesses going through rapid change because the commitment is short – typically ranging from a month to a year – compared with traditional leases that could be 10 years or longer.

"On a unit cost basis it is more expensive but the flexibility is good for growing businesses."

Employee performance can also benefit – a lively co-working environment and close proximity to other firms can increase networking and new business leads. Higher productivity and lower office costs are a business's dream.

"Even larger and more traditional companies are taking on flexible space in addition to their permanent headquarters, where they can create overflow capacity depending on what clients they are currently working with," says Hubble's FD David Anderson. Hubble is an online platform for shared office space, which has helped major companies such as EY and Jaguar Land Rover find flexible co-working space to launch their respective in-house innovation teams.

CASE STUDY: AIRSWIFT

Airswift, a global workforce solutions company for the energy, engineering and process sectors, has adopted flexible working to accommodate the needs of its own staff – including more flexible working hours, career breaks and study leave for employees working towards work-related qualifications.

On a more practical level, the finance function has had to ensure that the IT infrastructure exists to allow secure home working and people to work from their personal devices, as well as introducing video conferencing software to ensure continued face-to-face time. The moves have had both direct and indirect benefits for the business and its employees.

CFO Tim Briant says: "As a global company it allows us to be more agile, for example, enabling us to hold video conference calls between Houston and Singapore at times that would historically have been considered out of hours. Our employees are more engaged with Airswift and their jobs, they have a better work-life balance, and are more likely to stay with us.

"Personally I don't think the finance function in any industry should find it too hard to adopt some changes. High-transaction, high-volume finance processing may be difficult where there are daily deadlines, but with the right technology even this can be overcome."



CASE STUDY: CHEMIGRAPHIC

Crawley-based electronic manufacturing services provider Chemigraphic employs over 130 staff globally and has an office in Shenzhen, China.

The company has made a number of changes to reflect modern workplaces and working practices. This includes the introduction of a half-day on Friday, facilitated by increasing Monday to Thursday working hours by 30 minutes.

The move has been welcomed by the whole organisation, while the impact on the finance department has been positive on two counts, as CFO Alex Erickson explains: "The finance team are often the last people to leave the office, so this creates a quiet working environment to catch up with any workloads without interruption. And on the rare occasions that we are not as busy we can leave early like the rest of the business."

Chemigraphic's workspace has also been improved by the creation of some new more informal spaces where people can get together for a catch-up. "Sometimes these get-togethers can be more productive than the more formal, traditional meetings," says Erickson.



Flexibility and freedom have been taken to new levels by the gig economy, where organisations hire people on a permanent freelance basis

WORKPLACE COLLABORATION

Organisations with spare desks are taking flexibility a step further by renting them out to others via online platforms such as Deskcamping, therefore generating additional revenue and potential future work collaborations.

If the physical modern workplace has been transformed beyond recognition, working practices have also evolved, with part-time flexible hours, compressed hours, annualised hours and untracked holiday all increasingly common in the modern workforce.

Companies looking to attract the best talent are expected to offer one or more of these benefits, but they can have pros and cons. It can be easier to align resources with workload, thereby reducing downtime and saving costs, but it can make resource planning and budgeting more complex, requiring the use of additional tools or software.

On the whole, Add Then Multiply's Horne says that increasing flexibility is more often considered as a good thing. "As long as there are sufficient resources to get the job done, there is no real impact," he says. "In some regards, six people working 50% could be more effective than three people working full time. It's a question of managing the resources and allocating tasks and responsibilities."

But others point out potential drawbacks. Drew Forret, CFO of voice talent agency Voices.com, says: "Employees who work part time or remotely can miss out on company experiences with team mates and the benefit of collaborating on a complex project in person. This can make them less effective than full-time equivalents. The success of this type of working

arrangement depends on how the organisation helps to bridge that gap."

THE PRICE OF FREEDOM

Flexibility and freedom have been taken to new levels by the gig economy, where organisations hire people on a permanent freelance basis, a model that came under scrutiny in last year's review of employment practices, summed up in *Good work: the Taylor Review of Modern Working Practices* by Matthew Taylor.

It acknowledged the strength of the UK labour market, with employment levels at an all-time high, but warned of emerging challenges from new business models such as the gig economy. It said that while flexibility allows businesses to operate in ways that suit them, flexible working models should be used sensibly and not just to reduce costs.

"Every business needs some flexibility in its workforce," says Demmer. "Our own FD is a permanent freelancer and having someone who is seeing and learning from the successes and mistakes of other businesses can be beneficial. But there is also a need for continuity, particularly in governance and controls within finance parameters, so a balance is key. As long as this equilibrium is maintained, the increased availability of freelancers remains a good thing for the business."

Ultimately, the viability of remote working and the employee appetite for flexibility could see the permanent job market give way to more contracting. But while on-demand employment can lower business overheads, this could create more work for the business as a whole as payroll management becomes more complex.

Generational differences also factor in how organisations engage, motivate and develop talent in a constantly changing landscape of work. As baby boomers and generation X near the end of their era in the workplace, the incoming generation Y and Z have different attitudes to recognition and reward, work-life balance and disruptive technology. They grew up with it.

"The changing work landscape affects everyone," says Horne. "Those who readily embrace change and adapt to the new environment will survive and may thrive. Those who resist it or even ignore it will soon find themselves obsolete." ●

— TIME FOR — TECH

MARTHA HARRIS TAKES A LOOK AT THE TOP GADGETS
TO HELP YOU GET MORE OUT OF YOUR WORK DAY

Most of us have at one time or another experienced the hamster wheel sensation of work - the feeling of ending your day in the same position that you started it. You've lost your to-do list; you've started more than you've finished; and you daren't even look at your inbox. Indeed, the UK's long-running productivity gap compared to other G7 economies is well

documented, with the Office for National Statistics estimating a 0.5% decrease in UK workers' output per hour for the first quarter of 2018. If you too are struggling to make the most of your working hours, here's a roundup of some of the latest technology, apps and gadgets that could help you streamline processes and close your own personal productivity gap.



APPS



Trove

Is your inbox a maze of forgotten correspondence and undeveloped contacts? This app finds patterns in your emails and uses them to map your current network, helping you to build relationships and contact the right person quickly.
tinyurl.com/BAM-Trove



Trello

Trello is a free online task management tool for personal tasks and project management alike. The platform's "board" is a visual way for teams and individuals to see the wider context of a task, keep track of its status and comment on progress. With over 25 million signups to its name, it's worth taking a look.
tinyurl.com/BAM-Trello



Expensify

An integrated tool for automating all facets of expense management, from generating reports based on pictures of receipts to exporting into your company's online accounting solution.
tinyurl.com/BAM-Expensify



Forest

Smartphones are a top culprit for distraction. For the nature lovers among you, Forest discourages procrastination by getting you to "plant" a tree whenever you want to focus. Leave your phone alone for a set time period and your tree will grow - click off the app and it will die. The more focused periods you complete, the more trees will grow in your forest - and the more coins you can donate to the app's partner, Trees for the Future, to plant genuine trees in real forests.
tinyurl.com/BAM-Forest



Otter

Tired of taking meeting minutes? Otter Voice Notes converts voice recordings into searchable transcriptions that sync across devices. The app is a potential time saver, allowing you to focus on the here and now.
tinyurl.com/BAM-Otter



Todoist

A simple online and mobile to-do list tool, Todoist helps you organise and prioritise the tasks ahead. The app allows you to separate jobs into individual tasks and larger projects, automatically recognises deadlines, and includes a variety of intuitive shortcuts so you can add to your list quickly. It's a modern way to keep on top of things.
tinyurl.com/BAM-Todoist

KIT

Mindset headphones

Not just a listening device, these wireless headphones ostensibly monitor your brain activity to help improve your concentration. Using electroencephalogram (EEG) technology, this headset tracks when you're distracted and gives audio prompts to bring your attention back to the task at hand.

tinyurl.com/BAM-Mindset

Moleskine Smart Notepad & Smart Pen Writing Set

This clever note taker combines analogue and digital, allowing users to write notes into a paper notebook using a smart pen, and then digitally edit these notes on a tablet. Great for making illegible scrawls into shareable notes.

tinyurl.com/BAM-MoNotepad



Netgear Nighthawk M1 Mobile Router

This portable WiFi router is theoretically able to reach speeds of up to 1Gbps (Gigabit per second) using 4G's Gigabit LTE technology. Use at home, at work, or on your travels. SIM card required.

tinyurl.com/BAM-NighthawkM1



Sennheiser TeamConnect Wireless

The modern office has largely moved beyond set meeting rooms. Sennheiser has aimed to address this change with this wireless remote conferencing system, allowing you to take your meeting (nearly) wherever you want, for groups of up to 24 people. The kit features wireless audio units that connect to any computer or smart device via Bluetooth. At £2,300 it is expensive, but it's an interesting concept.

tinyurl.com/BAM-SenTeamCon



NVX 200 Invoxia Bluetooth speakerphone

This gadget turns any smartphones into desk phones. The docking station features a handset, universal charging and intuitive keypad.

tinyurl.com/BAM-NVX200

Mountie

This gadget answers portable working second screen woes by allowing you to mount your iPhone or iPad onto your Mac as a second monitor.

tinyurl.com/BAM-Mountie

AND MORE...



Slack

Slack is a popular messaging tool for teams. It allows users to chat in groups or one-to-one, share files, and integrates with over 1,000 apps, including Dropbox and Google Drive. There is a robust free option, and price plans to suit company size and needs.

tinyurl.com/BAM-Slack



G Suite

Not to be underestimated, Google Cloud's G Suite offers a whole host of useful tools for businesses across computers, phones and tablets. Its range of plans offering email, secure instant messaging, file storage, shared calendars and more help to streamline a number of cloud-based common tasks in an integrated way.

tinyurl.com/BAM-GSuite



1password

With personal information security the topic of the moment, this online tool acts as a strong box for all your secure passwords and more, helping you to keep track of all your vital information.

tinyurl.com/BAM-1Password



Templafy

This cloud-based content management system is designed as a shared library for your business's digital assets - including document templates, presentation slides, images and icons. Integrated with MS Office and both iOS and Android operating systems, it is intended as a one-stop-shop for everything needed to create on-brand, legally compliant business communications.

tinyurl.com/BAM-Templafy



Boomerang

Wary of sending emails at all times of the day? This tool allows you to schedule your emails to send at the optimum times to reach their recipients.

tinyurl.com/BAM-BrangMail and tinyurl.com/BAM-BrangOutlook



Every Time Zone

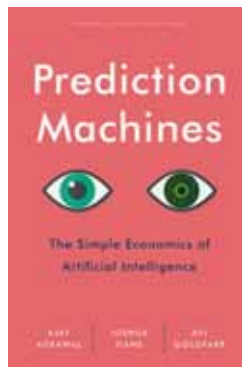
Avoid warping your mind trying to work out what time you need to be on that 1pm call with Beijing. This simple website helps you keep track of what time it is anywhere in the world.

tinyurl.com/BAM-ETZ ●

VALUE OF JUDGEMENT

Artificial intelligence (AI) and automation make the seemingly impossible possible. They magically bring machines to life – driving cars, trading stocks, teaching children or providing healthcare. In *Prediction Machines*, Avi Goldfarb and two fellow economists debunk this magical myth and recast the rise of AI as nothing more than a drop in the cost of prediction. With this one masterful stroke their thinking transforms the debate, lifting the curtain on AI-as-magic and revealing how applying basic economic tools can transform how CEOs, CFOs and FDs view the AI revolution. By framing AI as merely cheap prediction, they reframe the debate. As this extract from *Prediction Machines* demonstrates, at the heart of this process is a requirement to unpack and understand the process of making decisions





Prediction Machines by Ajay Agrawal, Joshua Gans and Avi Goldfarb

We typically associate decision-making with big decisions. Should I buy this house? Should I attend this school? Should I marry this person? No doubt, these life-changing decisions, while rare, are important.

But we also make small decisions all the time. Should I keep sitting in this chair? Should I keep walking down this street? Should I keep paying this monthly bill? We handle many of our smaller decisions on autopilot, perhaps by accepting the default, choosing to focus all our attention on bigger decisions. However, deciding not to decide is still a decision.

Decision-making is at the core of most occupations. Schoolteachers decide how to educate their students, who have different personalities and learning styles. Managers decide who to recruit for their team and who to promote. Truck drivers decide how to respond to route closures and traffic accidents. Police officers decide how to handle suspicious individuals and potentially dangerous situations. Doctors decide what medicine to prescribe and when to administer tests.

Decisions like these usually occur under conditions of uncertainty. The teacher doesn't know for sure whether a particular child will learn better from one teaching approach or another. The manager doesn't know for sure whether a job applicant will perform well or not. The doctor doesn't know for sure whether it is necessary to administer a costly [medical] exam. Each of them must predict [the likely outcome].

But a prediction is not a decision. Making a decision requires applying

judgement to a prediction and then acting. Before recent advances in machine intelligence, this distinction was of academic interest because humans always performed prediction and judgement together. Now, advances in machine prediction mean we have to examine the anatomy of a decision.

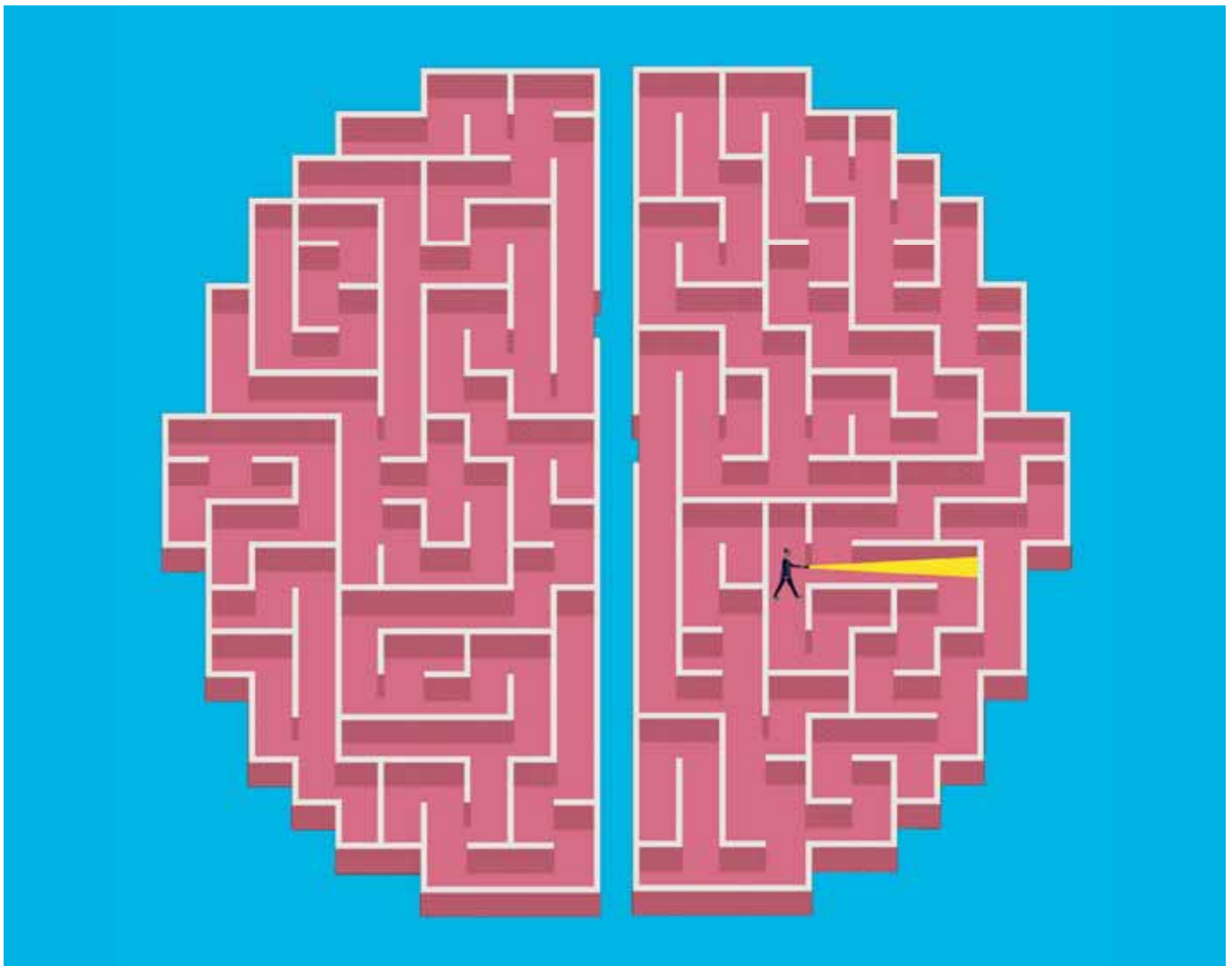
ANATOMY OF A DECISION

Prediction machines will have their most immediate impact at the decision level. But decisions have six other key elements (see Figure 1). When someone (or something) makes a decision, they take input data from the world that enables a prediction. That prediction is possible because training occurred about relationships between different types of data and which data is most closely associated with a situation. Combining the prediction with judgement on what matters, the decision maker can choose an action. The action leads to an outcome, which has an associated reward or payoff. The outcome is a consequence of the decision. It is needed to provide a complete picture. The outcome may also provide feedback to help improve the next prediction.

By breaking up a decision into elements, we can think clearly about which parts of human activities will diminish in value and which will increase as a result of enhanced machine prediction. Most clearly, for prediction itself, a prediction machine is generally a better substitute for human prediction. As machine prediction increasingly replaces forecasts that humans make, the value of human prediction will decline. But a key point is that, while prediction is a key component of any decision, it is not the only component. The other elements of a decision - judgement, data, and action - remain, for now, firmly in the realm of humans. They are complements to prediction, meaning they increase in value relatively. For example, we may be more willing to exert effort by applying judgement to decisions where we previously had opted not to decide (for example, accepted the default) because prediction machines now offer better, faster and cheaper predictions. In that case, the demand for human judgement will increase.

LOSING THE KNOWLEDGE

The Knowledge is a test London cabbies take to drive the city's celebrated black taxis. The test involves knowing the location of thousands of points and streets around the city and predicting the shortest



By breaking up a decision into elements, we can think clearly about which parts of human activities will diminish in value and which will increase as a result of enhanced machine prediction

or fastest route between two points at any time of day. The amount of information [required to be memorised] is staggering. To pass the test, potential cabbies need a near-perfect score. Passing the test takes, on average, three years, including time spent poring over maps but also riding around the city on mopeds memorising and visualising. Once they have achieved this, honoured green badge recipients are a font of knowledge.

A decade ago, London cab drivers' knowledge was a competitive advantage. No one could provide the same degree of service. People who would otherwise have walked would hop in a cab because the cab drivers knew the way. But today, a simple mobile GPS or satellite navigation system means all drivers have access to data and predictions that were once the cabbies' superpower. Today, these superpowers are available for free on most mobile phones. People don't get lost and they know the fastest route. Now the

phone is even better because it is updated in real time with traffic information. Cabbies who invested three years studying the Knowledge didn't know they would be competing with prediction machines. They took time to upload maps into their memory, test routes, and fill in the blanks with common sense. Now, navigation apps have access to the same map data and are able, through a combination of algorithms and predictive training, to find the best route whenever requested, using real-time data on traffic that the taxi driver cannot hope to know.

But the fate of cabbies rested not just on the ability for navigation apps to predict the Knowledge, but also on other elements to take the best path from A to B. First, the cabbies could control a motor vehicle. Second, they had sensors affixed to them - their eyes and ears most importantly - that fed contextual data to their brains to ensure they put the Knowledge to good use. But so did other people. No London

cabbie became worse at their job because of navigation apps. Instead, millions of other non-cabbies became better. The cabbies' Knowledge was no longer a scarce commodity, opening up cabbies to competition from ride-sharing platforms, such as Uber.

Other drivers with the Knowledge and predictions of the fastest routes on their phones meant they could provide an equivalent service. When high-quality machine prediction became cheap, human prediction declined in value, so the cabbies were worse off. The number of rides in London's black cabs fell. Others provided the same service. These others also had driving skills and human sensors, complementary assets that went up in value as prediction became cheap. One day self-driving cars might end up substituting for those skills and senses. The point is that understanding the impact of machine prediction requires an understanding of the various aspects of decisions.

SHOULD YOU TAKE AN UMBRELLA?

Until now, we've been a little imprecise about what judgement is. To explain it, we use decision trees. This device is especially useful for decisions under uncertainty, when you are not sure what will happen if you make a particular choice.

Let's consider a familiar choice you might face. Should you carry an umbrella on a walk? You might think that an umbrella is a thing you hold over your head to stay dry, and you'd be right. But an

Judgement involves determining what we call the "reward function", the relative rewards and penalties associated with particular actions that produce particular outcomes

umbrella is also a kind of insurance, in this case, against the possibility of rain. So, the following framework applies to any insurance-like decision to reduce risk. Clearly, if you knew it was not going to rain, you would leave the umbrella at home and if you knew it would rain, you would take it with you. At the root of the tree are two branches representing choices you could make: leave umbrella or take umbrella. Extending from these are branches representing what you are uncertain about: rain versus shine. Without a good weather forecast, you don't know. You might know that, at this time of the year, sun is three times more likely than rain. This would give you a three-quarters chance of sun and a

one-quarter chance of rain. This is your prediction. Finally, at the tips of the branches are consequences. If you don't take an umbrella and it rains, you get wet, and so on.

So, what decision should you make? This is where judgement comes in. Judgement is the process of determining the reward to a particular action in a particular environment. It is about working out the objective you're actually pursuing. Judgement involves determining what we call the "reward function", the relative rewards and penalties associated with particular actions that produce particular outcomes. Wet or dry? Burdened by carrying an umbrella or unburdened?

Let's assume that you prefer being dry without an umbrella (10 out of 10) more than being dry, but carrying an umbrella (eight out of 10) more than being wet (zero). This gives you enough to act. With the prediction of rain a quarter of the time and the judgement of the payoffs to being wet or carrying an umbrella, you can work out your average payoff from taking versus leaving the umbrella. Based on this, you are better off taking the umbrella (an average payoff of eight) than leaving it (an average payoff of 7.5).

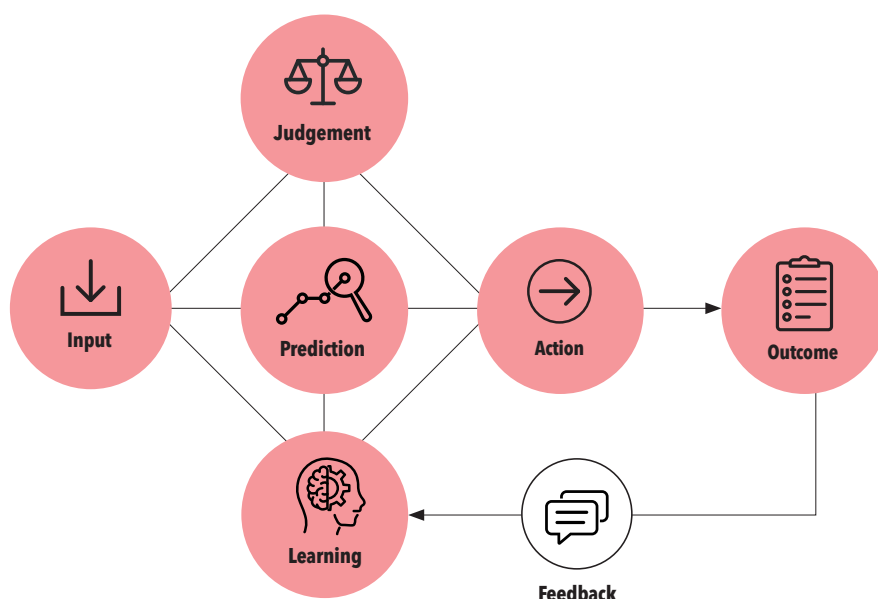
If you really hate toting an umbrella (a six out of 10), your judgement about preferences can also be accommodated. In this case, the average payoff from leaving an umbrella at home is unchanged (at 7.5), while the payoff from taking one is now 6. Such umbrella haters will leave the umbrella at home.

This example is trivial. Of course people who hate umbrellas more than getting wet will leave them [at] home. But the decision tree is a useful tool for figuring out payoffs for non-trivial decisions, too, and that is at the heart of judgement. Here, the action is taking the umbrella, the prediction is rain or shine, the outcome is getting wet, and judgement is anticipating the happiness you will feel (payoff) from being wet or dry, with or without an umbrella. As prediction becomes better, faster, and cheaper, we'll use more of it to make more decisions, so we'll also need more human judgement and thus the value of human judgement will go up. ●



Avi Goldfarb, chair, AI and healthcare, and professor of marketing, Rotman School of Management, University of Toronto

FIGURE 1: ANATOMY OF A TASK



REAL WORLD MANAGEMENT

With the release of the faculty's latest report on business performance management, Rick Payne highlights some of the key points

Do you pull your hair out when you see a report open with some cliché like 'in this time of accelerating change and increasing uncertainty...'? I know I do. I get more annoyed when the same report goes on to discuss some neat, static framework for driving business performance. In *Business Performance Management Report 2 - working with tensions* (see icaew.com/bpmadvice), we provide practical advice on achieving organisational success grounded in how the world really works.

We agree change and uncertainty are important considerations, though change is not always accelerating and uncertainty is not always increasing. We also know performance management frameworks can help our thinking. For us though, the real challenge in driving business performance is judging how to deal with the inherent tensions in organisations.

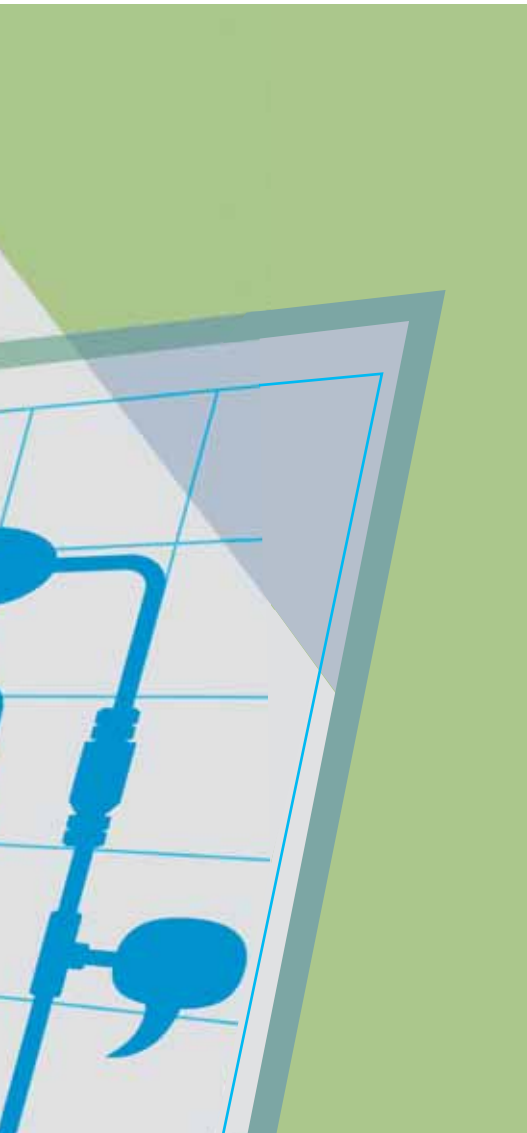
These tensions include conflicting stakeholder interests and long-term versus short-term needs. Dealing with these tensions is where finance professionals demonstrate their mettle.

In this article, we give a flavour of the report and an example of one of its six case studies. The report's author, Philip Smith, is a turnaround specialist and former chair of the Business & Management Faculty. He pulls together the lessons learned from many years of experience and brings the lessons to life with real case studies.

CERTAINTY AND UNCERTAINTY

While accepting uncertainty is a fact of life, we have to believe in the viability of our strategy in order to act. For example, we know that competitors will respond to our price-cutting strategy but not how quickly and to what extent. It is only by cutting prices that we find out.

The real challenge in driving business performance is judging how to deal with the inherent tensions in organisations



Treating the strategy as stable is also important in providing a clear focus for staff so they know what they should be doing day-to-day.

However, we also need to identify signals, which mean we have to change. In the case of a manufacturing company, covered in the report, failure to accept technological change needed a strategic response which led to the company's demise. Using rolling forecasts, treating variances as signals for action and scenario analysis - all covered in more detail in the report - can help organisations cope with uncertainty.

WHAT'S GOING ON?

It's easy to focus on just financial information or operational information as the main way we understand a business and make decisions. Financial information benefits from quality controls and being a common language for business. However,

EXAMPLE CASE STUDY - MOTOR DEALER

Background

The owner-manager of a long-established motor dealer brought in an experienced accountant to improve financial controls and performance reporting. As part of this, the accountant produced a financial plan built using a standard commercial forecasting accounts package, with prudent assumptions concerning sales, margins, overheads and staff costs. It was not, however, built up from a costed assessment of operational drivers, nor did it reflect the operational structure of the company. This plan indicated that future trading performance and borrowing requirements were going to breach the existing bank covenant.

The plan was then submitted to the bank as part of the standard annual review. This triggered the bank to place the company into special measures, and commission a formal financial review from a leading corporate recovery firm. This process caused internal friction, disrupted trading and resulted in the departure of the accountant.

The financial review recommended a range of actions including the appointment of a turnaround specialist.

Using business performance management

The turnaround specialist set up a different forecasting process. Revised profit and loss statements and cash flow forecasts were built, based on the costed ongoing trend in the operational performance of the company's three trading divisions: new cars, parts and service. These were adjusted to take account of profit improvement actions that could realistically be implemented in response to changing patterns of demand.

This reassessment indicated that the earlier forecast had been overly negative. It had been undertaken as an accounting exercise without direct linkage to the underlying operational realities. The new approach revealed that the financial outlook was not pressing, and the company was actually in no danger of trading insolvently.

Outcome

The company continued to trade successfully, although in a weakened position because of the disruption. The process was costly and stressful for the company and had risked causing a terminal loss of confidence.

the controls reduce timeliness and the financial perspective is only part of the picture. Operational information, such as net promoter scores, is more immediate, easier for non-finance experts to understand and can be acted on directly.

The ability to work with both financial and operational information simultaneously is tricky as our biases may mean we prefer one over the other. But given that financial outcomes are the result of operational actions, integrating the two is important. The full report details actions that help, including matching financial cycles with operational cycles, not letting financial accounting rules drive inappropriate management accounting, reconciling financial and management accounts and making sure that profit and cost centres best reflect the way the business works in practice. For example, in the logistics case study covered in the report,

accounting by contract was a key source of valuable information.

FAILURE IS AN OPTION

It is not always possible to turn around a failing business or persuade stakeholders to change tack. Bankruptcies are common and can be perceived positively as part of the creative destruction of capitalism - although it is unlikely to feel like it at the time. It can also be argued we learn more from failure than success. More importantly, for individuals, it is important to recognise when your advice is never going to get through to the CEO, owners and/or bankers no matter how good you are. Resigning in these circumstances may be the best option. You may have failed to convince others of your views but that does not mean your judgement was wrong. Move on with your head held high and apply the lessons you have learned to the next challenge. ●

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TECHNICAL UPDATES

Our regular roundup of legal and regulatory change

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

STATS POINT TO LONGEVITY INCREASE SLOWDOWN

Data released by the Office for National Statistics revealed that there were 153,717 deaths registered in England in the first quarter of 2018 (January to March), which is higher than any first quarter for the last five years and 18,145 deaths above the five-year average.

Commenting on the statistics, Helen Morrissey, personal finance specialist at Royal London, said: "These figures add further fuel to the idea that the increases in longevity we have seen for so many years are beginning to slow down and if this trend continues there will be major implications for policy around state pension age for instance."

Morrissey suggested that if the trend indicated by these figures continues,

the government could find itself having to "push back" its previously announced proposal to bring forward state pension age to 68 by 2039.

NEW OVERTIME GUIDANCE FROM ACAS

ACAS has produced new guidance on overtime.

The guidance covers:

- the different types of overtime (including voluntary and compulsory);
- working time limits on overtime;
- payment for overtime;
- alternatives to payment for overtime;
- overtime for part-time workers;
- the impact of overtime on holiday calculations.

See tinyurl.com/BAM-Overtime

PLUMBER WINS WORKERS' RIGHTS BATTLE IN KEY SELF EMPLOYMENT CASE

A Supreme Court ruling awarding workers' rights to plumber Gary Smith could have significant ramifications for freelance workers and independent contractors.

Mr Smith had worked solely for

Pimlico Plumbers for six years. After suffering a heart attack in 2010, he sought to reduce his working hours from five days a week to three; Pimlico Plumbers refused this request, removed his company-branded van, and Mr Smith claims he was dismissed.

Mr Smith then issued proceedings against Pimlico Plumbers before an employment tribunal for a number of offences, including unfair dismissal.

While the tribunal found that the latter complaint could not be upheld as Mr Smith had not been an employee under a contract of employment, it did rule that he should be classed as a 'worker' under s.230(3)(b) of the Employment Rights Act 1996 due to features of his contract including his inability to transfer his work to a subordinate.

Pimlico challenged this decision, and its subsequent support in the Court of Appeal, but the Supreme Court ruled that Mr Smith was indeed entitled to workers' rights including holiday and sick pay, despite his being VAT-registered and paying self-employed tax.

Pimlico Plumbers chief executive Charlie Mullins said that judges had missed the opportunity to bring the UK's "out of date" employment law into the 21st century, and that other companies using self-employed contractors could face a "tsunami of claims" as a result of the decision.

This decision could further fuel the demand for clearer guidance on workers' rights within the so-called 'gig economy', with the outcome of the government's Good Work Plan (itself a response to *Good work: the Taylor review of modern working practices*) remaining to be seen.

More information can be found at tinyurl.com/BAM-SmithPimlico

UNFAIR DISMISSAL STANDS DESPITE MISUSE OF INFORMATION

The Court of Appeal has upheld that the use of leaked information should fall within the scope of 'trade union activities' for the purposes of a claim of automatically unfair dismissal for taking part in trade union activities (s152 ERA).

Morris v Metrolink RATP Dev Ltd, relates to Mr Morris, a trade union member, and an assessment centre undertaken as part of a Metrolink restructuring exercise. The outcome of

the assessment centre was that five supervisors were put at risk of redundancy. Four of them were already union members, and the fifth joined shortly thereafter. Mr Morris received a photograph of a diary entry made by a line manager, who it was understood should not have been involved in the assessment, referring to the candidates' performance.

He informed the HR department, raised a collective grievance, and was subsequently dismissed for storing and sharing confidential information. Mr Morris brought claims of ordinary unfair dismissal and automatically unfair dismissal.

The tribunal upheld both claims, but the EAT allowed Metrolink's appeal after finding that the protection for trade union activities did not extend to wrongful or unlawful retention of confidential information.

Though it acknowledged that Mr Morris's actions in accepting the leaked information were perhaps not that of a "strict moralist", the Court of Appeal found that the "very limited way" in which Mr Morris made use of the leaked information, which "directly concerned his members as individuals and which it was in their interest for him to follow up", was not a sufficient departure from good industrial relations practice to take his conduct outside the scope of 'trade union activities' for the purpose of section 152.

The full judgement can be read at tinyurl.com/BAM-MorrisMetrolink

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

CORPORATE LOSS REGIME AND THE TAX TRAP FOR SMES - LATEST WEBINAR

Presented by Peter Miller of The Miller Partnership, the ICAEW Tax Faculty's latest webinar covers the following areas:

- The losses are affected.
- The relaxation to the carry-forward of losses.
- Group implications.
- How the £5m deductions allowance works.
- Reporting and administrative requirements.

Where a company or group has profits in excess of £5m in any period, the maximum amount of loss relief that can be claimed in that period in respect of carried-forward losses is £5m plus half the difference between £5m and the total profits of the company.

The changes apply from 1 April 2017 and were introduced in Finance (No. 2) Act 2017. But SMEs don't need to do anything about these rules, do they? Actually, they do. Watch the webinar recording now to find out more tinyurl.com/BAM-CLRegime

THE TREASURY SELECT COMMITTEE - INQUIRIES

On 27 March, the Treasury Select Committee (TSC) launched an Inquiry into VAT and the TSC sub-committee launched two Inquiries: one into Tax Avoidance and Evasion and the second into The Conduct of Tax Enquiries and the Resolution of Tax Disputes.

ICAEW Tax Faculty responded to all three Inquiries but has so far only had permission to reproduce the responses to the two sub-committee inquiries. The Faculty will publish its response to the VAT Inquiry when permission is granted to do so.

Keith Gordon, who is a member of the Tax Faculty Technical Committee, submitted a personal response to the Tax Enquiries Inquiry and was called to give evidence before the sub-committee on Monday 18 June. There

is likely to be a second evidence hearing on 9 July and John Cassidy may be called to give evidence on behalf of ICAEW Tax Faculty.

ICAEW may be called to give evidence after the parliamentary summer recess on *Professional Conduct in Relation to Taxation* and upholding ethical principles.

DRAFT CLAUSES FOR FINANCE (NO. 3) BILL

In a Written Ministerial Statement (HCWS757), it has been announced that the draft clauses for Finance (No. 3) Bill will be published on 6 July. They will be accompanied by explanatory notes, Tax Information and Impact Notes and responses to recent consultations.

The draft legislation published in July will go into Finance (No. 3) Bill, so named because it is the third Bill in the current two-year parliament 2017-2019. The Bill will be published after the Autumn 2018 Budget and will become Finance Act 2019 before the end of the tax year 2018/19. The Bill will probably be given the unofficial name "Finance Bill 2018-19" because that is what they did with the last one.

In line with the approach to tax policymaking set out in the government's documents *Tax Policy Making: a new approach*, published in 2010, and *The new Budget timetable and the tax policy making process*, published in 2017, the government is committed, where possible, to publishing most tax legislation in draft for technical consultation before the legislation is laid before parliament.

All publications will be available on the GOV.UK website.

FINANCIAL REPORTING



FRS 102 AMENDMENTS - FAQs

In December 2017, the UK's Financial Reporting Council (FRC) issued amendments to UK GAAP standards arising from its Triennial review. Although many of the amendments aim to clarify rather than change accounting treatments, there are significant changes to some areas. In the latest *Financial Reporting Faculty FRS 102 Update*, we answer some of the frequently asked questions on the changes to the standards.

Read the FAQs at tinyurl.com/BAM-FRS-102-Amends

CRR HOT TOPICS

The FRC encourages companies to provide informative disclosures tailored to their specific circumstances and transactions, and to disclose any key judgements that management would need to make in complying with the new standards.

The FRC returned to this subject in its June 2018 *Corporate Reporting Review Briefing*, stressing that disclosures on the effects of new standards should be clear, concise, company-specific, and focus on the areas of change. IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* are effective for accounting periods beginning 1 January 2018.

Read the briefing at tinyurl.com/BAM-CRR

BLOCKCHAIN

A new report from the UK FRC's Financial Reporting Lab (the Lab) considers how current developments and use-cases of blockchain technology might affect corporate reporting processes in the future. It concludes that, while cost, complexity and lack of standardisation of blockchains might be inhibiting factors, the growing use of blockchain means that those involved in corporate reporting processes need to consider its potential disruptive impact.

The following potential cases for using blockchain are considered:

- In the production of corporate reporting: how transactions processed on a blockchain may help to improve accounting records.
- In the distribution of corporate

reporting: how a blockchain-based European corporate reporting platform (European Financial Transparency Gateway) may help to open up access to corporate reporting, and

- In the consumption of corporate reporting: how blockchain might help to rethink the way that reporting content is defined.

The report recommends actions for various groups who have an interest in this area.

Read the report at tinyurl.com/BAM-FRC-Lab

HOW DO YOU AUDIT CULTURE?

Culture goes beyond the values promoted by those at the top of an organisation. It is as much about the behaviours and attitudes at every level of the organisation. The chair of one global group, built by his family over 100 years, identified "loss of the corporate culture" as his number one risk. Yet, while the ability to provide an audit perspective on culture should be valued by many, some boards have questioned whether culture can be audited at all.

Assessing the culture of your organisation is not easy, but done well it can be empowering and deliver tangible benefits to the business. A strong culture can help firms to secure a competitive advantage, while significant cultural failures can harm an organisation.

There is no one-size-fits-all solution to auditing culture and carrying it out can be a major challenge for internal audit. However, a carefully-planned and structured audit can be really valuable in highlighting an organisation's cultural strengths and where change might be needed. Boards and audit committees in particular need to understand if established values and behaviours are being unintentionally diluted or eroded.

To help internal auditors deliver an effective audit of culture, ICAEW's Internal Audit Panel has produced a practical guide that highlights eight tips to follow. The guide, *How to audit culture*, includes a section on how to write a report on culture, the list of areas that should be considered when planning an audit, and a series of questions to help internal auditors assess their organisation's culture. The guide is freely available to ICAEW members at tinyurl.com/BAM-AuditCulture ●

ON A LIGHTER NOTE



INTO ORBIT WITH OPIK

In case you ever wondered about the whereabouts of Lembit Opik, he is now the chairman of the Asgardia parliament. The 'space kingdom' was founded just 20 months ago, and its citizens pay an annual membership of €100. Asgardia's new president, Dr Igor Ashurbeyli, wants to have satellites providing internet access around the globe in five to seven years, space arks operating by 2030 and, finally, the establishment of a permanent settlement on the moon by 2045. You may want to rethink dismissing this, as they already have 203,000 citizens. Join at tinyurl.com/BAM-Asgardia



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DRIP, DROP, DRIP, DROP

Readers will be pleased to know that students at the University of Cambridge have been working hard to explain why a dripping tap makes so much noise. It appears that an air bubble created when the droplet hits the water is the cause. Samuel Phillips, lead author of the study, commented: "The sound waves emitted by the air bubble don't simply pass through the water surface as previously thought. Rather, the oscillating bubble causes the water itself to vibrate, acting like a piston to drive sound waves into the air." Replacing the washer or a bit of soap in the sink should alleviate the problem.



MAKING BURGERS GREAT AGAIN

An entrepreneur in Russia has seen renewed interest in his new burger bar, which is named after Donald Trump. Based in the Siberian city of Krasnyarsk, Trump Burger looked to rake in the cash by capitalising on 'yuge' interest from the US president's meeting with Vladimir Putin in Finland.

Decorated in paintings of the commander-in-chief, the diner offers signature dishes such as the Melania chicken burger, its tribute to the first lady.

Manager Igor Vinogradov told *Reuters* that demand was "really not bad for a restaurant that opened just recently". But he conceded that not every visitor is a fan of Trump, as inebriated Russians with a dislike for the United States occasionally express anger at the theme and behave rowdily in response.



DOG'S DINNER

Researchers from Budapest's ELTE University conducted research looking into obesity. Their study, published in the *Royal Society Open Journal*, involved placing two bowls in front of a series of dogs: one containing a good meal, the other being empty or containing less attractive food. The research showed that obese dogs stopped obeying instructions to check the



second bowl for food, while dogs of a normal weight continued to check. "Obese dogs are unwilling to invest energy to search for food - for them the main thing is to find the right food with the least energy involved," said test leader Orsolya Torda. It was suggested that the dogs could be used as models for future research into the causes of human obesity.



DO YOU SMELL A RAT?

Technicians from the State Bank of India (SBI) were dispatched to fix an out-of-order ATM in the state of Assam, and were surprised by its contents: a dead rodent and shredded Indian currency notes worth £14,417. "When our technicians opened the kiosk we were shocked to find shredded notes and a dead rat," said Chandan Sharma, SBI branch manager in Assam. It is not known how the rat got into the machine, nor if eating the notes caused its demise.



2045

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HOPES TO HAVE
ESTABLISHED
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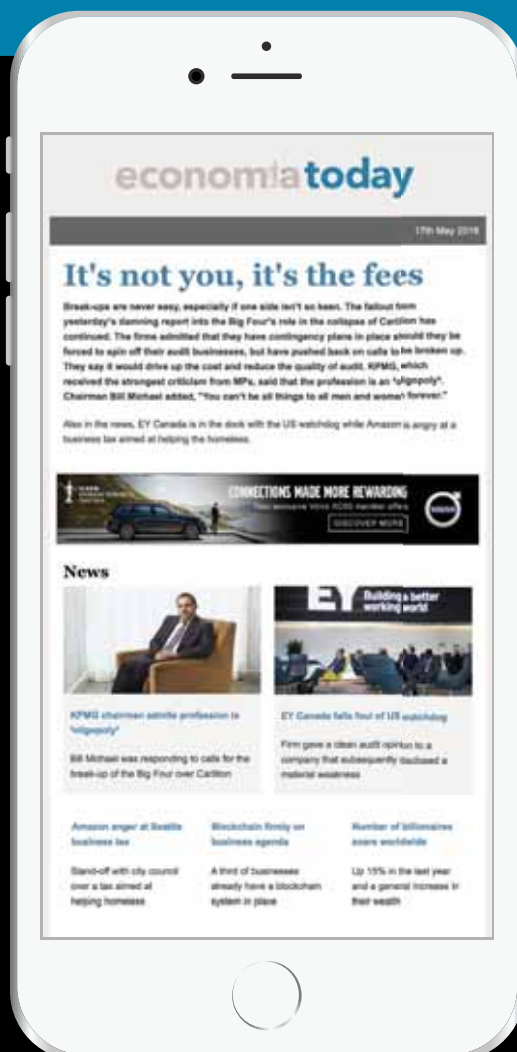
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