

Finance & Management



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Faculty of Finance
and Management

'EVERYTHING CHANGES; NOTHING STAYS STILL' – Heracleitus

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Giving people bad news is never pleasant – and to do it well requires consideration, and even training. We look at the management issues involved. *Page 11*

FORTHCOMING EVENT ...

Implementing IAS

28 April – Nick Scott and Graham Holt, both accountants and lecturers at Manchester Metropolitan University, examine the processes needed for reporting of international accounting standards (IAS).

For further details – see page 15

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The difficult issue of 'trust'

Strategy and organisation

Does leadership matter?

FACULTY AGM – 12 JUNE

The 'Notice of AGM business' for the annual meeting is published in the 'Events' brochure in this mailing.

When stakeholders know more than you do

Does the information 'overload' in business increase understanding?

Tony Powell explains how to achieve the ideal – supplying what stakeholders actually want to know, accurately conveying the business's strategy, and avoiding inconsistencies between the two.

The famous English lawyer Lord Birkenhead once finished pleading a complicated case. Upon Birkenhead's completion of his remarks the judge said flatly, "After all that, I am none the wiser." Lord Birkenhead replied, "I regret that you are none the wiser, but I hope you are better informed."

Pick up any paper or listen to any news programme and you could be forgiven for thinking that we all have a career opportunity as a judge. We are overloaded with information – but how much better informed are we? For businesses, the demands for information increase on a daily basis, but how can we be sure that we are supplying the information that users are really looking for? And where and how should it be made available?

Apart from the reporting required by law or regulation, we now have environmental reporting, triple bottom line, sustainability and corporate social responsibility (CSR) reporting. Then there is the company law reform and the revised operating and financial review (OFR). This is before we even look at ad-hoc requests for infor-

mation – often in the cause of the public interest. The result is that companies increasingly feel overburdened by these requests.

There is a very real risk that we end up with several sets of information being published – the set that we use ourselves for running the business and the myriad sets required for other purposes. This is fine until something is published that is inconsistent with another public report or with something said and done elsewhere in the business – for example, in a marketing or public relations announcement. At that point the corporate reputation management unit has to step in and limit the damage. We need to take control of our information before this becomes an unfortunate reality for more of us.

The good news is that it is possible, but it depends on three factors – understanding, overlap and alignment:

- understanding the real needs of

continued on page 2

Stakeholders – from page 1

- stakeholders;
- the degree of overlap between the business strategy and the stakeholders' needs; and
- internal alignment so that all staff who may publish information are properly aware of the first two factors.

The bad news is that it takes some planning and effort to put in place. But the results should help to reduce

both the cost of producing information and the likelihood of damaging public inconsistencies.

Understanding stakeholder needs

Businesses typically believe that they understand who their stakeholders are and what they need. But ask businesses how, and how well, they are meeting those needs and the answers become sketchy. No surprise then to find that stakeholders are using unofficial routes to access information.

If you type ICI and spokesman/woman/person into the Google search engine, you will find nearly 10,000 hits. Many other companies show up with between 10,000 and 50,000 hits, BT and BA have over 50,000, Shell 94,700 and IBM 141,000. There's no shortage of information out there for anyone to find a company pronouncement that supports their point of view – whatever it is!

To start taking control of this information glut, you need to understand better what your stakeholders are looking for. Ideally, you should identify all apparent stakeholder groups in the business, then interview representatives of each to find out what they are interested in and why – and, crucially, how well they believe that you are performing against these criteria. Not all issues will be equally important so weighting the replies will allow you to get a better feel for those that are the most important to your key stakeholder groups. Not all stakeholders are



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equal, however. Judging how important each group is to you means assessing both their ability to influence your actions and their willingness to exercise this power. Methods exist for quantifying this type of assessment but judgement by your own management and staff or by a knowledgeable, independent third party may be enough at least to get started.

The next step is to gather similar information on stakeholder issues and the perceived level of performance from those managers and staff who deal with each stakeholder group. You can then prepare the following charts to help analyse how well you are meeting your stakeholder needs and begin planning the actions needed to improve their view of your business.

The first chart (Figure 1, left) shows any one stakeholder's level of satisfaction with the company's performance on each of the issues that they see as important.

Ideally a separate radar chart should be prepared for each stakeholder. The chart shows you what needs or issues are important to any one stakeholder and how well you are performing in meeting their needs (on a scale of one-to-five). A composite chart can be prepared for all stakeholders overall. While the composite

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Figure 1

Radar chart

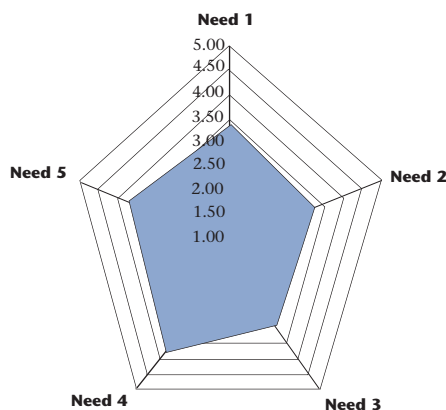


chart may be useful for showing how well you are meeting stakeholder needs overall, you will need to look at the individual charts (in conjunction with the 'importance/performance' grid) to help plan the specific actions needed for each stakeholder group.

The second chart (Figure 2 – the 'importance/performance' grid, below) compares the company's view of the importance and perceived performance with that of one stakeholder.

This grid combines four pieces of information for each stakeholder need. These are the importance of the need to the stakeholder and their view of how well you are performing against that need, and your organisation's perception of how important the issue is to the stakeholder and your perception of how well you are performing in meeting that need.

In the example the triangles represent the stakeholder positions, and the circles the internal perceptions. The distance between the two (shown in three instances, here – for management performance, communication, and environmental issues) represents the gap that needs to be bridged either by moving the stakeholder view or through your own actions to improve either your organisation's performance, or your communication of that performance.

Finally, unlike the other charts described here which look at the range of needs of the individual stakeholders, the 'influence/satisfaction' chart (Figure 3, on the next page) takes each need which has been identified by more than one stakeholder. It maps how well the groups think that you are performing on the issue against an assessment of how influential each group is perceived to be. It is therefore very useful for helping prioritise not only which need should be tackled first, but which groups should be tackled first as well. The chart can also show you which other stakeholder groups you may be able to draw on to help you convince others on your performance.

These charts, and others created from the data collected, can help highlight the issues that need to be tackled first. Further, through considering the positions on the influence/satisfaction

and importance/performance charts, you can find effective ways to begin discussing their needs with each stakeholder group.

Overlap between stakeholder needs and business strategy

A separate but critical issue is the design of performance measures, ie key performance indicators (KPIs), to track the achievement of the business's strategy. This typically involves building up not only the fixed assets found in the balance sheet, but also intangible resources such as staff capabilities, customer bases, distribution networks or research capabilities. Tracking the development and use of these resources necessarily involves financial measures but should also involve non-financial ones.

Developing relevant KPIs may appear simple, but designing them and the systems to collect the relevant data is often far more difficult – and businesses frequently give up or pick the easy option of using existing data. This is a false economy – first, the measure is often not taken seriously, and second, and potentially more important, significant elements of the business are not being properly measured.

If they are not being properly measured, can you say that they are really being managed? Is it a message that we want to give our shareholders that

we are not managing x% of our business as it is too difficult to develop a proper metric? I think not.

Of course, the business managers may all consider that the resource in question is not actually that important. If so, the reluctance to develop metrics will allow management to have a better-informed discussion about whether the resource really is that important to the business. If it is, it should be measured – if it is not and measuring it is unnecessary, the discussion may well have simplified the process of implementing the strategy.

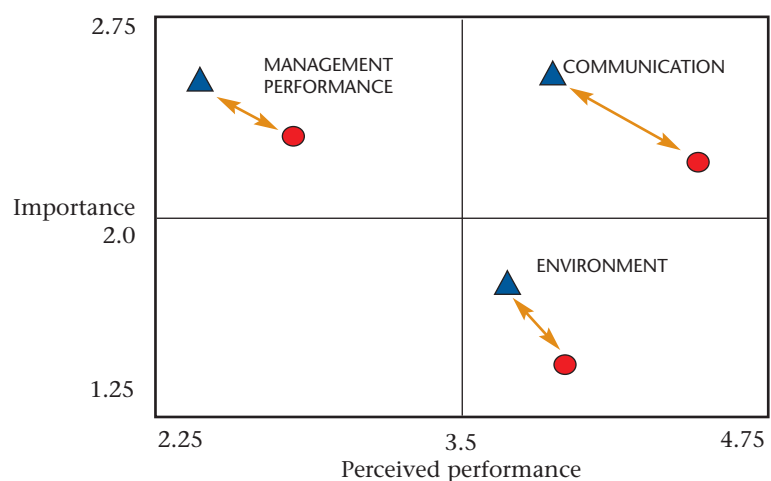
It is also likely that, once analysed, the needs of the stakeholders can be expressed in terms of the development and use of the tangible and intangible assets. Comparing the measures needed for achieving your strategy with those needed by your stakeholders will show you both how far your stakeholder information needs can be met by data that you are (one hopes) collecting anyway and how well-aligned your strategy is with stakeholders' needs and expectations.

If the degree of overlap is high, you can probably safely proceed down your chosen path; if overlap is low, you should proceed with caution. The possible courses of action include:

- re-visiting your strategy to take account more explicitly of stakeholders' needs;

Figure 2

Importance/performance grid



- retaining the existing strategy but developing systems to produce the information needed by the stakeholders – but, if your strategy really is at odds with your stakeholder needs, they will still complain; and
- trying to influence the stakeholders to see the issue as you do – ie changing their expectations.

Ignoring the problem is not an option – sooner or later one or more of the stakeholder groups will ask questions or complain or otherwise try to divert you from the chosen strategy.

Alignment within the business

The main benefit of communicating business strategy to management and staff is often identified as the greater speed of strategy implementation when the whole of the business is aligned behind the programme. While studies suggest that this is indeed true, there is a further benefit to communicating widely not only your business strategy and your progress towards achieving it, but also the expectations of your stakeholders. This comes back to the point made earlier – if your company has dozens, hundreds or even thousands of spokespersons, what is the chance that they give a consistent story to the public at large, unless they are aware of both the strategy and the needs of your stakeholders, which set the context for how any information published will be interpreted?

The more consistently you communicate what your business is about and where it is in terms of meeting its strategy, the more likely it is that com-

pany announcements will be self-reinforcing rather than contradictory. In this way you can achieve your business goals, keep your stakeholders happy and keep the corporate reputation protection team as underemployed as the celebrated 'Carlsberg complaints department'.

Conclusions

The external reporting likely to be required of companies and similar organisations with a significant public interest will increase. Intangibles are here to stay, and we need better and more widespread techniques for identifying their role in strategy and in developing relevant KPIs.

If you actively manage the information needs of your stakeholder groups, you will be better placed not only to meet those needs, but also to track the implementation of your business strategy and to participate in the debate about increasing reporting requirements. In this way, you can help shape the future disclosure needs facing business rather than respond to them as they become either mandatory or standard practice. **F&M**

The approach described in this article is an amalgam of Tony Powell's own work and ideas together with adaptations of published techniques and presentation formats notably those from: 'Intellectual capital: navigating the new business landscape' (Johan Roos, Goran Roos, Nicola C Dragonetti and Leif Edvinsson); 'The R factor' (Michael Schluter and David Lee) and 'New tools for negotiators' (Tera Allas and Nikos Georgiades – The McKinsey Quarterly 2001 No 2).

Maximising the offer

Dr Eddie Obeng, founder of Pentacle The Virtual Business School and one of the UK's new generation of management gurus, puts forward a convincing case for integrating your service, manufacturing and branding to keep ahead in the 'new world' economy.

One of the 12 rules outlined in my book 'New rules for the new world' stipulates 'AND, not OR'. And nowhere is this rule more applicable than the area of providing optimum commercial service. You can maximise the potential of your organisation by integrating the offer of service, manufacturing and branding – a way of thinking to keep you ahead in the 'new world' economy.

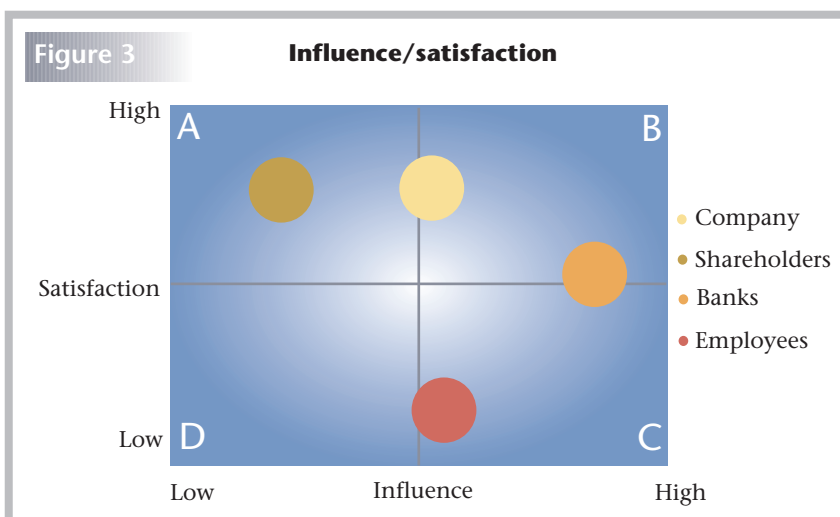
A background to the development of commercial services

The development of service based economies, first in the US and then across the rest of the Western economy, in the last three decades of the 20th century was initially hailed with disbelief. Statements such as 'Let's see how long we can go on selling hamburgers to each other to generate wealth' and 'We're turning into a nation of hamburger flippers' were commonplace.

Services were viewed with suspicion. How such ephemeral activity could generate significant wealth in sectors such as banking and insurance was not fully understood.

Yet manufacturing, once seen as the solid basis of wealth generation in the capitalist economy, was losing not only its attractiveness for employment but also its job volume.

Looking at the US, in 1994 alone, 3.5 million new jobs were created in the





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service sector whilst the amount of people employed in US factory manufacturing declined by 5 million from 1979 (21 million) to 1997 (16 million). However the decline in people was more than compensated for by a tremendous increase in productivity, which rose by more than 27% from 1980 to 1994.

There were several reasons for the lack of understanding of the service boom. Traditionally, service in an agricultural or manufacturing economy was largely equated with 'courtesy'. It wasn't seen as a distinct source of money but as something you did to support a product or help an associate. It was largely considered 'bad manners' to charge for such support.

The integrated offer

Now, 30 years on, although it has become common to see service as a distinct module in the offer companies make, not all business executives understand its role in generating wealth for an organisation in the 'new world'.

In a commercial transaction nowadays (Figure 1, right) customers and clients generally part with their money in the hope of receiving one of three things:

- *products* – goods, tangibles, or equipment which can be subsequently used by the customer for his/her own ends;
- *service* – help, advice, information or support provided to the customer; and, finally
- *an aura* – a brand, shared community or image embodying the promise.

These three modules make up what is known as the 'integrated offer'. It is for this offer that the client, consumer or customer parts with his or her money.

The three parts of the offer are very different in the way that the customer experiences them (Figure 2, below). Products tend to have been previously produced, they are then exchanged (or in the case of software a license to use is agreed) and then the goods are used or consumed by the customer as desired.

Service is different

In general, service is consumed at the same time as it is produced. A restaurant meal is finished at the same time as it is paid for. A help desk call ends when the solution is found. Unlike goods which can continue to provide utility and value to the customer long after purchase, with service all that lingers after the receipt of the service is the memory of the service.

In turn, the memory of the service is a crucial part of the third module of the offering, the aura. The aura is even more ephemeral than the service. It is created, anticipated, consumed and then remembered and associated with either the utility and aesthetics of the goods or the service which has been experienced. New world enterprises focus on using all three modules in their commercial offerings in order to maximise the value they generate from customers and clients. In particular, the last two, the service and aura, are especially crucial since these two tend to be more difficult for competitor organisations to copy or replicate.

Making money from the overall offer

In the 'new world' enterprises use all three modules to amplify the value of each other. As a general rule the money generated from the product module tends to correlate with the level of need and the scarcity of

supply (Figure 3, overleaf). The quality of the product can however be used to create the aura of the offer which then acts as a multiplier on the money which can be generated from the product. The same is true of any service.

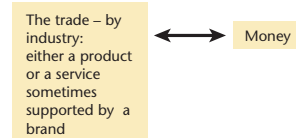
Furthermore both service and product can be made to reinforce each other actively to generate even more money. For example, 'solution selling' provides a service which may also result in the sale of a product, and a product sale may generate after sales service value. The ability of a Hollywood blockbuster to use the brand value of the key actors or directors to generate an aura, then service sales, then merchandising – which then reinforces the aura, is a good example of an integrated use of the three modules in action.

Delivering the service offer

Providing help, advice, information and support are the key elements of the service offer. The person experiencing the service offer (customer,

Figure 1 Old world vs new world

Old world commercial transaction



New world commercial transaction

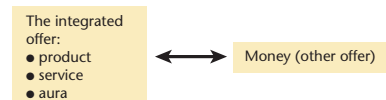


Figure 2 The three parts of the offer

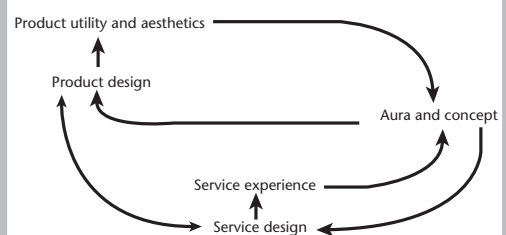


Figure 3 Maximising revenue

Revenue – correlates with need/scarcity

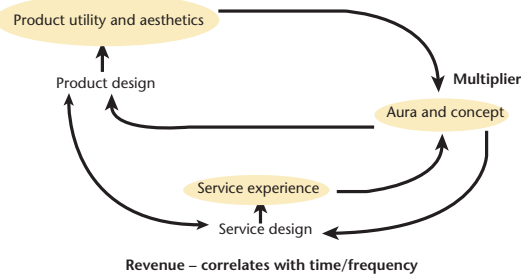
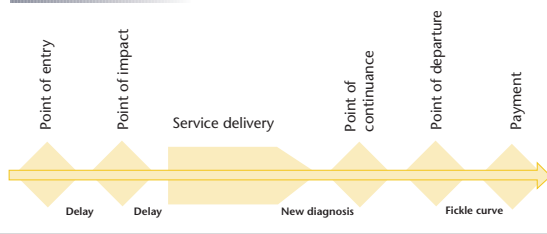


Figure 4 Experiencing the service



consumer, client) tends to go through a generic process as described below (see Figure 4, above).

The 'point of entry' is the first attempt to access the service. It is at this point that preconceptions of the service delivery are set. Failure to manage this point can result in the potential customer rejecting the entire service offer.

The 'point of impact' is when the first emotional impact of the service is felt. This is the point which determines the positioning of the aura of the offer in the customer's mind. The emotional impact of this point of the service will usually be carried in the customer's memory for several orders of magnitude longer than it takes to deliver the service. A failure to deliver the appropriate emotional engagement is rarely forgotten.

The 'service delivery' itself is followed by the point of continuance. Once the service has been successfully delivered, the customer's commitment and trust in the provider is at its highest. This is the

point at which the customer is most likely to purchase further service offerings from the supplier.

The point of departure is the point of closure of the service. Following this point the customer's willingness to pay can quickly decline (see Figure 5, below) since, as always in service, it has already been consumed during delivery.

In industries such as the legal industry, where billing is delayed or not correlated with the actual service provided, it is common in some

countries for clients to routinely write down invoices by up to as much as 25%.

Service delivery choices – people or automated processes

The delivery of service is an area where productivity gains are hard to achieve. This is primarily because interaction in the delivery of the consumed service tends to be time dependent and often dependent on the ability of the client/customer to absorb the service. Productivity gains are made by ensuring that the service providers are effectively involved in service delivery at a high level of engagement. This level of utilisation

(U) is a key factor in the total value generated by the service activity. Peaks and troughs in demand and also elimination of simple requests for which little revenue can be generated are often automated. Figure 6 (below) explains the effective use of human and automated interfaces in service delivery.

It is difficult to form a decent working relationship with an automated push button service – imagine calling back and asking for the fifth bleep! However there is always an opportunity to amplify the productivity of service provision through automation or the use of rules-based activity of lower cost staff. This amplification (A) has a significant effect on the value generated by the service.

For high quality, high-relationship service provision, well-trained people are by far the best providers. However there has been a significant amount of research which shows that there is a direct correlation between the internal support, training and understanding of the service offer and the balance with the expectations of the customer/client (Figure 7, on page 7). Mismatches of expectations result in unsatisfactory service provision.

In general the level of satisfaction attained allows the time taken to deliver the service to be equated with a higher price in the customer's mind. As a result, the rate charged per time invested in delivering the service (CR) is another crucial variable. Unlike manufacturing, many of the issues of capital utilisation are subsumed in the value equation which becomes a simple function of $U \cdot A \cdot CR$.

Figure 5 The 'fickle curve' – willingness to pay for service as a function of time

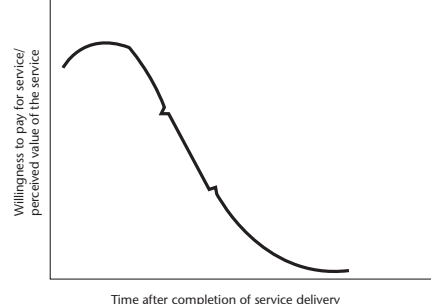
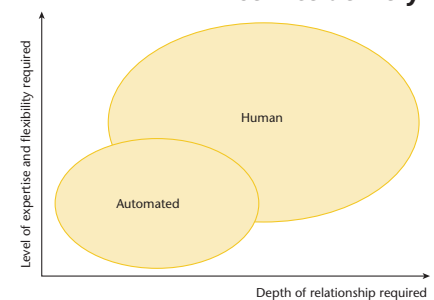
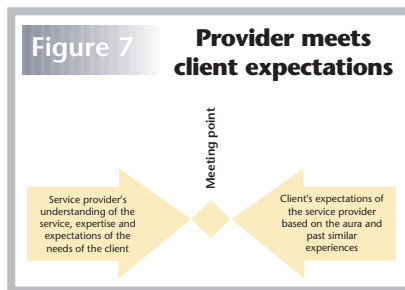


Figure 6 Effective use of human and automated interfaces in service delivery





Making money from services

In addition to understanding the key variables U, A and CR there are a number of rules of thumb for making money in a service offer which differ significantly from the rules applicable to products. They are:

- bottleneck resources should be charged at prime rates;
- understand that time and money are equivalent and minimise all internal mandatory non money making activities in order to maximise utilisation;
- spread/leverage the opportunities for money making as widely among the service providers as possible to minimise peaks and troughs;
- actively capture and disseminate knowledge to minimise the downtime of individuals reinventing the wheel; and
- continually monitor and target all service activity for relationship building, continuance and money making.

Getting the most out of the integrated offer in the 'new world'

The challenge is clear. The integrated offer is the appropriate vehicle for competition and customer/client retention in a 'new world' economy. The barriers of understanding, changing and modifying cultures, internal systems and people's jobs and roles to take full advantage of the potential, are immense. There is a clear need to move from thinking in terms of either service OR manufacturing OR branding to AND – thinking in integrated terms of the three modules of service and manufacturing and the aura.

Every executive must review his/her contribution to delivering the maximum value from the integrated offer and make the goal of maximising the potential of the enterprise their prime strategic objective. **F&M**

Linking value with values

In **Malcolm Lewis's** view there is such a thing as the 'organisational soul', influencing a business's future value-creating potential. In his recent Faculty lecture he described how the 'softer' values contribute to that 'soul' and value creation process.

Malcolm Lewis's lecture found much support for its 'inspirational' element, as well as eliciting some slight scepticism from a very small number of his audience.

Lewis – a Faculty member, former Great Britain Walker Cup international golfer (plus, later, England Captain) and knowledge transfer expert – now works as a facilitator for companies seeking to peak perform, advising on the link between the 'hard' corporate value generation and 'soft' business coaching aspects. In so doing, he aims to tap into individuals' right-brain more emotional and creative sides, helping them to "source inspirational ideas... achieve impossible dreams".

There must be a better way

Lewis started from the premise that there must be a better way of doing things than that employed by most companies today. As he explained, these typically operate rather like Christopher Columbus – they don't know where they are going, don't know where they are on arrival, and later can't say where they have been when they get back. Unlike Columbus, however, they are not stumbling on any brilliant discoveries with this *modus operandi*.

The 'better way', in his view, is for a company first to identify where it wants 'to be', rather than the things it wants 'to have' and then to work backwards to determine the best interim steps leading there.

This strategy is less simple than it sounds. Almost certainly something will happen en route to make the original vision or one or more of the

interim steps, unattainable or even undesirable. Hence there will need to be continual readjustment of the 'master plan', by looking through the front windscreen not the rear view mirror of the 'business car' making the journey.

Indeed, Lewis suggested, corporate strategy should be viewed as a continuous planning process. But always during this planning, he stressed, the accent should be on the future and what you want to be. It is of paramount importance to visualise how things will be, look and feel when this desired future state has been attained.

The reason, he explained, is that the brain deals best in images but cannot really differentiate between a positive and negative impulse. Hence, focusing on the less-than-ideal 'now' – even in the sense of it being something that needs vast improvement – increases the chance of that negative image being unintentionally carried into the future.

The accent should be on the future

Instead, keeping a strong image of where you intend to be, and all its benefits, will help prevent any historic unwanted accompanying 'baggage' being embedded in the future vision. By adopting this mindset, the 'to-do's' of the present are more focused and meaningful.

What? How? Why?

Also of great importance is that the planning process should look at

activities by asking three key questions – what?, how? and why? Choosing what it is you want to be – and be doing – in the future deals with the first. The second question – ‘how?’ – is often the easiest to answer since most managers know how they can achieve the ‘what’.

But the key to motivation is applying the magnifying glass to the ‘what’, to answer the query, ‘why?’ If there is no valid answer to ‘why?’, there is no strong rationale behind your plan, and the ‘what’ might as well be abandoned. Without the vision and linkage between the three questions – what?/ how?/ why? – the individual will not grasp the importance of the corporate destination, there will be no passion and the project should be stopped.

As Lewis explained, looking to the future is one of the essential behaviours to getting to where you want to be. The complete set of behaviours, described by business guru Stephen Covey’s bestselling ‘Seven habits of highly effective people’, is a useful checklist for both personal and corporate alignment:

- be proactive, rather than reactive;
- start with the end view in mind;
- put first things first;
- ensure win/win outcomes;
- seek first to understand, then to be understood;
- synergise; and
- ‘sharpen the saw’ (ie keep practising!).

Covey’s ‘put first things first’ rule is, as Lewis explained, rather less straightforward than it might seem. Looking at Covey’s grid of importance/urgency

(Figure 1), the section representing ‘important and urgent’ tasks might seem the one pressing for instant action. In fact, it is the ‘important, non-urgent’ quadrant that should be the top priority, as it is likely to involve proactive decisions that will shape your future. Choosing ‘important and urgent’ means you are falling into the trap of being reactive. The ‘non-important and urgent’ segment contains items for delegation while the contents of the ‘non-important and non-urgent’ portion deserve to be ‘binned’. Some 60% of your time should focus on the important but not urgent.

Covey’s ‘win/win’ and ‘seek to understand’ habits have more self-evidently positive outcomes. Allowing someone to leave an interaction having personally gained something they desire, significantly increases the likelihood of their being disposed in your favour in future. And by listening first, and understanding someone else’s priorities, you are better able to interpret exactly what ‘win’ they need from a given negotiation.

Listen first – to understand what ‘win’ is needed

Other steps Lewis recommended in deciding the ‘how’ of attaining the end goal include:

- *commitment, good communication and the right values* – to reach your aim you need commitment. If an employee, even a high performer, has values at odds with those of the organisation then the individual needs to be moved on, or put in a position where those values do not influence others. Our values and mental models affect the behaviours we exhibit;
- *strategic visioning* – the importance of strategic visioning, is that it identifies the ‘heart’ or ‘soul’ of the organisation by finding a ‘why’ greater than the organisational target. This is the key to creating the passion and the power source needed to sustain commitment;



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- *visionary leadership* – not to be confused with effective management. The visionary leader identifies where the company should be. Good management ensures that it actually gets there; and
- *the right corporate ‘personality’* – leaders, and the corporate ethos, should embody the optimal mix of personality quotients – IQ, EI/EQ, SI/SQ and QI/QQ (see below).

The quotients

Various personality ‘quotients’ have been used over the years in business literature. First came psychologist Hans Eysenck’s original measure of left-brain intellect, the intelligence quotient (IQ). This was followed by David Goldman’s more recently established emotional intelligence or emotional quotient (EI/EQ) – the measure of a person’s effectiveness in dealing with feelings and intuitive qualities. These two have now been joined by the spiritual intelligence/spiritual quotient (SI/SQ), with its concern for the greater good of the wider world (religion being a subset of spiritual intelligence). As Lewis explained SI/SQ, finding a ‘why?’ greater than the one you are actually aiming for, is like the karate technique of aiming at a point beyond that you wish to impact.

Interestingly, research has shown that IQ alone is a poor guide to leadership potential. However, EQ and SQ are now important elements of leadership aptitude. Further, in Lewis’s view, while good IQ and EQ scores offer a company potential, a strong SQ rating offers greater potential and the chance of finding the organisational ‘soul’.

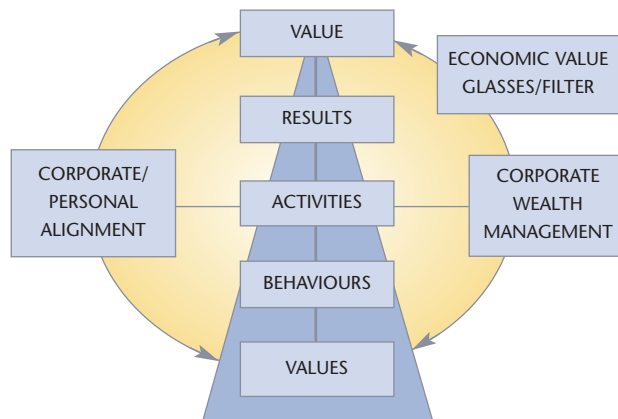
Figure 1 Importance and urgency

IMPORTANT	IMPORTANT
URGENT	NON-URGENT
NOT IMPORTANT	NOT IMPORTANT
URGENT	NON-URGENT

Source: Stephen Covey

Figure 2

SVP corporate wealth management paradigm



Moving on to quantum intelligence (QI), as suggested by Soleira Green, means finding the evolutionary life changing potential.

He observed that a meaningful paradigm for business (and one based on at least three of these measures) would be – ‘trust; transparency; respect; and caring’.

Conclusion

As Lewis acknowledged, these softer aspects of value creation do not exist in a vacuum. There are other more obviously measurable facets of value to be managed. But even to these, he insisted, the principle of looking forward should be rigorously applied.

A business, he said, is analogous to a car. Its profit and loss account represents the car’s engine, the cash flow its fuel, and the balance sheet the bodywork and style or brand. But knowing the ‘value’ of these is of little use if the driver endangers the entire vehicle by constantly looking through the rear window (ie at past successes or failures) and failing to take account of the road ahead (missing current and future obstacles, threats and opportunities).

The model for today’s business also needs bringing up to date. Earlier business performance models have either used the siloed activities of sales, marketing, production, finance, human resources etc to drive results (1750 to 1990), or concentrated on managing value through harnessing value-based

activities (1986 to 2000) – latterly with too much focus on the numbers in the process. His recommendation is to adopt a model that places far more importance on what lies beneath the value creating activities – the underlying values that shape the behaviours which in turn drive the activities. In this model, corporate/personal alignment, are the keys to corporate wealth management (Figure 2). Monetary value is only part of the model.

Lewis summarised that all corporate value is based in the future, is subject to our perception of the potential of the organisation and its people that will create that future, along with the risks and uncertainties attached to facing those strategies.

Finally, Lewis referred to the recent growth in intangibles as a proportion of a company’s value (by 1998 accounting for an average 72% of the market value) and the way it is causing a huge gap between net book and market values. It is, he concluded, increasingly important to manage those intangibles as part of our governance duties – and particularly the biggest intellectual capital component, human capital.

For that, he added, you need not only adequate economic value metrics, but also the right-brained qualities of positivity, vision and caring. We cannot ‘rewind the movie of life’, Lewis pointed out, so why not make our business life more meaningful? **F&M**

Reader’s letter

Spare the consultants!

Sir – I usually find something of interest in *Finance & Management* and I was looking forward to reading the article ‘VBM – what the consultants don’t tell you’ in the March issue.

However, I was put off by the gratuitous anti-consultant remarks in the third and fourth paragraphs. Apart from being out of context (since the article isn’t about how to work with consultants, they don’t add anything to the authors’ story), these remarks are inappropriate in a newsletter where a sizeable proportion of readers work in reputable and accomplished professional services organisations.

If consultants can’t contribute to implementing value based management (VBM), why are two of the useful web sites at the end of the article from consultants (PA Consulting and PricewaterhouseCoopers)? Please refrain from knocking the consulting profession in future articles.

Yours faithfully
RICHARD LEE
Principal, Deloitte Consulting Inc
(soon to be ‘Braxton’)
Toronto, Canada

The article’s authors, Jonathan Plumtree and Chris Sharp, reply as follows: “80% of the Faculty’s members are in business rather than practice and we wanted to share our own practical approach to VBM. We thought it was worthy of note that, in our case, this had been achieved without the involvement of consultants. The web sites which accompanied the article were chosen by the publishers and enabled readers to gain an objective view of the subject. We are also Faculty members and welcome a balanced diet of articles from business and the consultancy profession.”

*If any reader has further comments, please send them to: Chris Jackson, Faculty of Finance and Management, Chartered Accountants’ Hall, Moorgate Place, London EC2P 2BJ
E-mail: chris.jackson@icaew.co.uk
Fax: 020 7920 8784 **F&M***

How well do you manage your expatriates?



A global benchmark study by Tungli Consulting has investigated the world-leading multinationals' expatriate policies and practices. Dr Zsuzsanna Tungli reports the findings.

*Dr Zsuzsanna Tungli is the founder of Tungli Consulting.
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Expatriates are expensive, yet all multinational companies rely on them to some degree in their international operations. How are these employees managed? The following findings are taken from a comparative survey by Tungli Consulting of 136 of the largest multinationals in Germany, Japan, the UK and the US.

- The majority of the 34,000 expatriates the multinationals employ are male, married and are sent from the headquarters to foreign operations in Asia and Western Europe.
- Perhaps not surprisingly, US companies have the most (11%) and Japanese multinationals have the least female expatriates (0.6%).
- Expatriates are mainly needed for setting up new operations, filling skill gaps and they are also sent abroad to develop their international management skills.
- Among the studied countries it is the Japanese companies that rely the most heavily on expatriates. While Western firms tend to send expatriates mainly for high level positions or – especially German companies – as specialists, their Japanese counterparts often fill middle and junior level positions with expatriates, as well.
- Recent trends are for expatriates to be sourced decreasingly from the company's headquarters. In the UK companies 37%, in the US multinationals 23% and in the German firms 12% of the expatriates are so-called 'third-country nationals'. In contrast, 99% of the Japanese companies' expatriates are Japanese.
- Expatriates are not necessarily given sufficient time to prepare, both professionally and privately. American expatriates, especially, have short notice periods. 84% of them learn about and agree to their assignment less than three months before their departure.
- UK expatriates' lengths of assignment tend to be the shortest (41% shorter than two years), and the Japanese assignments tend to be the longest (17% last longer than five years).

An increase in short term assignments is expected

- Companies seem to have detailed guidelines for the more tangible parts of expatriation, such as compensation and relocation, but typically do not have written guidelines for the 'softer' areas, such as selection and training of expatriates.
- Multinationals select their candidates primarily based on their technical and professional skills, whether they are willing to go abroad, and based on their previous experience in the company. Although research and practice have shown that the most common reason for the expatriate's failure is that the spouse and/or the family cannot adjust to the new environment, partners are usually not involved in the selection process. Ideally, it would be recommended that the selectors have at

least an informal meeting with the spouse.

- Most companies offer language training, and Japanese and US companies also tend to offer some cross-cultural training.

The future

The multinationals' view of the future was that, overall, expatriates will continue to play an important role in their international operations. Yet they also expect some changes in expatriation, including:

- about half of the companies have either started or are planning to change their compensation system. They wish to offer more regionally based and local packages;
- more expatriate positions will be overtaken by local managers;
- the number of 'third-country' expatriates is likely to grow;
- it may become difficult to find enough good and experienced expatriates who are willing to go to 'hardship locations' (eg some countries in Eastern Europe and Asia);
- the growing number of dual-career couples means an increase is expected in the number of commuter, unaccompanied and short-term assignments. Changing the nature of assignments, however, will not solve the issues; companies will have to offer more support for the trailing partner; and
- on a more positive note, with the help of internet and intranets, companies can make big steps in capturing and utilising the professional as well as cultural knowledge expatriates and their families gather during the assignments. **F&M**

When the message gets tough



*Dr Gwenllian-Jane Williams, a chartered occupational psychologist and a trained practitioner of neuro linguistic programming (NLP), is a director of CGR Business Psychologists Ltd.
Email: gwenllianw@cgr.co.uk*

No manager likes delivering bad news, very few are trained in how to do it well, and the process is deeply uncomfortable – hence there is a very wide margin for error. **Dr Gwenllian-Jane Williams** explains how to make the best of a difficult job.

Things are getting uncomfortable in the office. Businesses are trimming budgets, people and suppliers; liquidations are increasing; 'restructuring' masks downsizing in city businesses; analysts are being told of profit warnings; bonuses are doubtful – and for those who feel more secure, it is annual appraisal time.

Delivering bad news is invariably difficult – but when mismanaged it is doubly so. Hence the tales of terrible deeds – people taxied from their sick-bed to be told they are redundant; assistants arriving at work on Monday to find out their contract ended on Friday; solicitors told they are 'safe' only to be summoned to a 'managed exit' the following week. No doubt these stories are exaggerations of the truth. However, there is a common theme – bad news, badly delivered.

It is easy to blame managers and label them insensitive despots. However, no manager likes delivering bad news, very few are trained in how to do it well, and the process is deeply uncomfortable – hence the very wide margin for error.

No magic formula

So what is the key to reducing the pain – or at least ensuring a professional process in which people feel decently treated even though the news is unpalatable?

Sadly, there is no magic formula – when human reactions are involved there never is. Nevertheless, damage can be minimised if managers keep to the following principles:

Principle One – decide discreetly

Never assume that bad news is softened by drip-feeding gloomy messages and hinting at tough decisions in the hope that 'people will be expecting it'. The result will be demotivation, tension and later, recriminations for withholding the truth. In situations where bad news has to be delivered, managers need to take responsibility for appraisal of the situation, deciding the message, identification of recipients and protecting everyone else. These discussions need to be private. 'Off the record' assurances to those who are safe never stay off the record. All too often the news gets out through, "I'm OK – what about you?" discussions by the coffee machine.

Preparation needs to be comprehensive

Principle Two – act early

If the decision is made – deliver it. Avoidance and delay in the hope that things will get better rarely work. Instead, you will find yourself managing rising tension, both in yourself and others. In redundancy situations there is plenty of evidence to show that stress escalates to the point of receiving the message and then gives way to relief once people know the reality. However, never let early action detract from principle three.

Principle Three – prepare, to be in control

Preparation needs to be comprehensive. Attention to detail will ensure you stay in control of the situation

and appear professional at all times. Things to think about are:

- *when is the message to be delivered?* – redundancy messages are best delivered in the morning so that people have time to say goodbye to colleagues if they so wish. Tough appraisals are better delivered later in the day so that people have time to come to terms with the message and any emotions before facing colleagues;
- *what is the best format for delivery?* – if the message affects a whole group it is safer to deliver the message once to all concerned. This will minimise 'Chinese whispers' and ensure consistency of message. If the message is for one or a few people, opt for one-to-one meetings;
- *getting the person or people to the meeting* – decide how they will be invited to the meeting and do a diary check to ensure they can be there;
- *where will the message be delivered?* – plan the room, decide who sits where, have water, coffee ready. Have tissues discreetly to hand if potentially necessary;
- *who delivers the message?* – most bad news messages (redundancy, disciplinary) are delivered by a manager supported by an HR representative. If this is the case, meet prior to delivering the message and plan the format of the meeting, who says what, who speaks first. If delivering a message to a wider group the more senior the messenger the more the message will be accepted as real. Group messages need to be carefully planned. The greater the detail in the plan, the smoother the process;

- *the message content* – determine exactly what you have to say and, if possible, rehearse. First lines are most important in setting the tone and professionalism of the meeting. Falling over words or ‘winging it’ will not help you or the recipient;
- *the official rules* – some bad news has to be delivered according to a legal process. Ensure you protect the business by knowing and adhering to the rules;
- *materials and papers* – whether appraisal forms, redundancy packs or any other official material – have them ready, in order and to hand. Read forms before the meeting to ensure you do not have to read and decipher in situ;
- *additional space* – if the message is very hard, the recipients may want somewhere to collect themselves. Ensure a quiet, private space where they can go;
- *next steps* – be clear about what happens after the meeting. Options can vary from setting a follow-up meeting to directing someone to legal advice. Ensure you know the options and know exactly what the person should do; and
- *last but not least, prepare yourself* – delivering a tough message is often harder for the messenger than for the recipient. Accept that it is an unpleasant task and remind yourself of the business need. Some managers feel better prepared if they can do a mental rehearsal, using visualisation techniques to imagine a smooth, effective delivery.

Deliver a clear message and manage the reaction

Principle Four – manage the meeting

The key to managing the meeting is delivering a clear message and managing the reaction. Delivering a clear message means getting to the point. Doing a verbal version of ‘Here we go round the mulberry bush’ does not work. The person brought into an appraisal or exit meeting knows what is going on, so there is no point pretending otherwise. It is good practice to soften the blow with kind words such as “this has been a tough decision but...” or “there is no easy way to say this...”, but get to the point. Prevarication is purgatory to the recipient.

The reaction is the aspect managers dread – simply because it is unpredictable. Most people on receiving bad news surprise us with a quiet response and acknowledgement that they were expecting something. However, the manager’s greatest worry is a negative, emotional reaction. Typical negative reactions and appropriate responses are:

- *anger* – the signs of anger are obvious – raised voice, accusations, flushed face and agitation. These need a calm, quiet response. Listen to the person, acknowledge feelings and answer questions but never meet anger with defensiveness or harsh words. Ensure that you stay in control by maintaining open body language and eye-contact;
- *confusion* – confused people failing to understand the message ask irrelevant questions and misinterpret the message. Such a reaction is born of panic rather than inability. This response needs repetition of the message in small chunks with frequent checks that the person has understood. End the meeting with a summary of the decision and clear instructions on next steps;
- *distress* – the distressed person looks away, displays fearfulness and blurts out panic statements such as “What am I going to do?” This reaction is best met with sensitivity and discretion. Offer time alone or time to ask questions. If the person is very upset, stop the meeting and use open questions to help them express their fear. Some people want to call a friend or partner. Try to get the person to look at options and offer support with plenty of encouragement about their ability to overcome this situation;

- *negotiation* – this can be the most difficult reaction to manage. The person starts to negotiate in order to change the message with statements such as “I will work for free”, “Give me another month”. The response needs to be firm and direct. Cover the options that the person has, but never retreat from the message. As soon as you give way or agree to think again, the message is eliminated.

Aim for professionalism and humanity

Principle five – be human

Manage as you would be managed. This does not mean showing emotion or sharing your own discomfort. It does mean thinking about the other person’s needs. Key things to remember are:

- *give the person time* – rushing them out or rushing away yourself will be interpreted as harsh and dismissive;
- *offer support* – explain how you can help the person, but only offer support you can deliver on;
- *allow time to ask questions* – this may mean setting up another meeting;
- *end with words of encouragement* – they may sound hollow but they will be appreciated; and
- *be honest at all times.*

Conclusion

To sum up, delivering bad news is never going to be a rewarding aspect of any manager’s role. Nevertheless, adherence to the principles can keep the professionalism and humanity in the toughest of managerial messages. **F&M**

Finding out about real options

The December 2002 *Good Practice Guideline* Issue 40, on real options, elicited considerable reader interest in the concept. This interest focused in particular on the extremely complex – and Nobel prize-winning – Black-Scholes formula.

Members wishing to explore the subject further, including the Black-Scholes formula, should refer to ‘Real options – a practitioner’s guide’ by Tom Copeland and Vladimir Antikarov (Texere, price £35. To order, visit www.etexere.com/realoptions).

MARKETING

Reforming development planning

Misallocation of time, overemphasis on price promotions and a culture of back-covering and buck-passing. Time for a root-and-branch reform of marketing's development planning process, **Alan Mitchell** argues.

When Procter & Gamble first investigated the idea of every day low pricing (EDLP), one of the things that surprised it was just how much time brand managers spent planning, organising and overseeing the implementation of price promotions: 25% or more of their average working day.

The basic criticisms of price promotions are well known. Often promotions merely bring forward consumer purchases rather than driving sustained volume or market share increases. They encourage perverse decision-making among retail customers, prompting them to 'buy forward' large quantities of stock at promotional prices. The subsequent feast and famine ordering then disrupts the supply chain.

But what P&G stumbled upon was another layer of dysfunctional management decision-making. Questionable allocation of time was just one item in a longer list. Marketers often turned to promotions to meet over-ambitious sales targets. These targets themselves were part of a system of less-than-honest internal target-setting – designed to meet CEO demands for 'growth' for example, rather than reflect real market conditions. Promotional effectiveness wasn't improving either, because there were hardly any rigorous post-mortems, so lessons were not learned.

Whether or not EDLP was a good idea, asking questions about the process turned out to be useful in its own right. Could other marketing processes bear similar scrutiny?

One candidate for root-and-branch reform is the whole marketing or busi-

ness development planning process, suggests Tim Ambler, a former marketing director at Grand Metropolitan (as it was then) and now a senior fellow at the London Business School. Some of Ambler's criticisms follow:

Too much time on annual plans

In large companies especially, the planning cycle can take nine months of every year, when it should be a maximum of six weeks. The planning cycle is unnecessarily bureaucratic and cumbersome, and eats into marketing managers' precious time. The more time they spend planning the less time they spend doing, and feel themselves to be under tremendous time pressure as a result.

Time for a new role of 'chief time officer'?

If the actual planning process was useful, this would be OK. But often it's not. The right way to go about planning is to focus effort up front on clarifying goals with senior management. Once these goals are agreed – including financial targets and top line budgets – it's up to the marketing people to decide how to reach these targets and how to spend the allocated money. The next big senior management priority is debriefing: learning from what did and didn't work from last year's plan.

Unfortunately, however, the wrong approach is far more common. Here, basic goals are not examined rigorously. Instead they're based on default options such as 'last year plus five per cent', for example. The marketing department then prepares a detailed

executorial plan for these suspect goals, which it then defends line by line through an intensive process of second-guessing – especially by finance people worried that money is not going to be spent wisely. Marketers then repeat the same approach with their agencies: unclear goals coupled with excessive second-guessing of details.

This whole process takes so long that one planning cycle begins before the last one is finished. So the idea of debriefing – and learning from experience – goes out of the window.

Posturing and buck-passing

Then there's the politics. Much so-called planning work – including a significant proportion of all market research – is simply 'backside-covering', complains Ambler. Most plans are not even implemented. "The marketing director sees the marketing plan as a device for arresting the intelligence of the finance director for long enough to take money off him," says Ambler. Once the plan is approved, he then does what he likes, regardless of what the plan says. "I know. That's what I used to do."

Conclusion

Cutting the time spent on annual plans, delegating more, and focusing far more effort on the really important issue of agreeing overall goals would lead to a far more productive use of time, suggests Ambler.

His general message – that "we need to spend a lot more time on time, and less time on money" – is probably relevant to most departments, not just marketing. Time for a new role of chief time officer? **F&M**



Alan Mitchell writes extensively on marketing and finance, and is a former editor of Marketing magazine.

TREASURY

Hedging revisited

In his latest Update, **Chris Mansell** looks at the complexities of hedging in the current foreign exchange markets and at the ratings agencies.

Are you one of the managers, who have found that their budget assumptions for the euro and USD against sterling have become inverted? Notions that low interest rates would dampen down rate fluctuations have been rudely dispelled as movements against sterling over recent months have exceeded 10%.

For businesses with similar levels of trade with the US and Europe, there appears to be an element of built-in hedge as the USD goes one way and the euro the other. Risk managers will

have noted a possible strategic benefit in shifting the balance of overseas business to allow for that. One result is a rather perverse argument for staying out of the euro – provided always that the UK itself can retain a relatively robust currency.

Recent exchange rate movements have certainly refocused the debate about currency risk management and which instrument to choose. This is bound to include consideration of options. The essence of the option is that the contract enables the corpo-

rate to participate in any upside gain, but be protected against the downside. There is a view that option pricing is one of the great banking rip-offs. Certainly there is an insurance cost, which rationally is payable for the mitigation of currency risk.

The premium is usually determined by the Black-Scholes option pricing model, a ferocious piece of arithmetic that has worked well under normal conditions. The key element in delivering the premium is volatility – the pattern of fluctuations in a pair of exchange rates. Since option pricing is looking to the future, the pricing is determined by 'implied volatility'. This brings together the actual observed variability of the currency and other qualitative information. Academic statistical studies indicate that this is a fair method of pricing.

The currency manager might of course contemplate self-insurance. This is not the same as ignoring the problem altogether, but entails taking a considered view that the duration of the exposures (perhaps up to 10 years) and the consistency of the flows mean that only the shorter term exposures should be managed. The next possibility is to reduce the premium by diluting cover. A simple example is to sell a call option to reduce the cost of a put. This will result of course in a reduction of the potential upside.

The final possibility is the forward contract, where currency risk is extinguished by agreeing to exchange at a market rate determined by the differential in the relevant interest rates of the currencies being exchanged. Whichever choice is made it is vital for management to work through the arguments using carefully collated future cash flows. **F&M**



Chris Mansell is a former treasurer and is now a director of several companies.

Rating agencies in the spotlight

Rating agencies are under pressure to ensure the quality and independence of the judgements following recent accounting scandals. A representative of Fitch Ratings recently offered some insights as to how the agencies are responding.

For many years, Fitch has prepared a very detailed cash flow analysis and not relied on a headline number of earnings before interest, tax, depreciation and amortisation (EBITDA). This shows whether a company is consuming or generating cash from all its operating and financial activities. Large unexplained movements are highlighted in the published information. The rating implications of the growing use of securitisation are addressed and explained.

However if corporates choose not to disclose critical information that cannot otherwise be deduced from the financial statements, there is little that sophisticated analysis can do to help. Fitch identifies as an example the failure of a leading telecommunications company to disclose for about three years a potential liability which consumed some 75% of its net cash, leading to a four notch rating downgrade when the information was finally disclosed. The company's rating had previously been strongly supported by the net cash pile, much of which was suddenly lost by this disclosure. Fitch has also been making greater use of market related data and market rumours that may affect a company's share or bond price or credit default swap pricing.

This will not be a comfort to investors. It suggests that today's world is rather twitchy and volatile. On the question of influence, rating agencies are particularly vulnerable. They must make themselves immune to pressure applied by borrowers and Fitch claims numerous checks and balances are in place. A rating agency must fulfil its obligations to all market participants by arriving at rational, consistent, fair and independent credit ratings that are distributed as rapidly and broadly as possible to the market once a rating decision is taken.

FORTHCOMING FACULTY EVENTS

To attend any Faculty event, please fill out the form which adjoins this page, remove it by tearing along the perforation, and mail it or fax it to the services manager at the Faculty's address given on the bottom of the form. If you have any queries relating to these or other events, please contact Jo Kinlochan on 020 7920 8486.

- **28 April**
EVENING
LECTURE
(Golden Tulip
Hotel, Trafford
Park, Manchester)

'THE PROCESS OF IMPLEMENTING IAS' – NICK SCOTT AND GRAHAM HOLT, MANCHESTER METROPOLITAN UNIVERSITY
Nick Scott and Graham Holt, both chartered accountants and lecturers at Manchester Metropolitan University, examine the processes that companies need for reporting of international accounting standards (IAS). Registration 5.45pm; lecture 6.00pm; buffet and networking 8.00pm.
- **7 May**
EVENING
LECTURE
(Motor Cycle
Museum, Solihull,
West Midlands)

'LINKING VALUE WITH VALUES – THE BEHAVIOURAL ASPECTS OF FINANCE' – MALCOLM LEWIS, STRATEGIC VALUE PARTNERS
Consultant Malcolm Lewis will argue that linking value with values is the key to creating long term corporate, financial and personal success, ie having a vision that is based on 'what should be' rather than 'what is'. Registration 5.45pm; lecture 6.00pm; buffet and networking 7.00pm.
- **21 May**
EVENING
LECTURE
(Chartered
Accountants' Hall,
London)

'NEW ROLES FOR FINANCE – MAKING AN EFFECTIVE CONTRIBUTION IN YOUR EXECUTIVE TEAM' – SIMON COURT, VALUE PARTNERSHIP
Capital investment is in steep decline and business opportunities are limited. Simon Court, founding director of Value Partnership, says that focusing on good management and organisation is the imperative. Registration 5.45pm; lecture 6.00pm; buffet and networking 7.00pm.
- **12 June**
LUNCHTIME
AGM & LECTURE
(Chartered
Accountants' Hall,
London)

FACULTY ANNUAL GENERAL MEETING plus lecture – 'BUSINESS VALUATION' – MAGGIE MULLEN, GRAVITAS PARTNERS
Maggie Mullen, chairman of Gravitas Partners, will discuss some of the valuation issues arising within current markets and how they impact upon business. The lecture will begin at 12.30pm and will last until 1.20pm. The AGM will take place over the next 10 minutes, followed by a buffet luncheon until 2.00pm. All Faculty members are welcome and the event is free to them.

RECORDINGS OF FACULTY LECTURES IN 2002

The following lectures and conferences held by the Faculty in 2002 are available, in both **audio** and **video** format.

To obtain a recording, please tick the audio and/or video box on the tear-off response form opposite.

There is a charge of £5.00 for audio recordings and £10.00 for video.

- 28 MAY **PAY FOR PERFORMANCE – DIRECTORS' REMUNERATION**
Ruth Bender of Cranfield School of Management discusses the structure of directors' remuneration in the context of creating value for shareholders.
- 18 SEP **HUMAN CAPITAL – MEASURING PEOPLE AS ASSETS**
Andrew Mayo, a consultant on international human resource management, discusses how to balance people's cost with a quantitative measure of their value.
- 8 OCT **ENTERPRISE PLANNING (ERP) SYSTEMS – DO THEY MEASURE UP?**
Dennis Keeling of BASDA, the international software standards body, explores the pros and cons of these systems and looks at software industry trends.
- 3 DEC **REALITY CHECK – STRATEGY'S ROLE IN CREATING WEALTH**
Bob Gorzynski of Bristol University looks at what went wrong with 'new economy' companies and at the role of strategy.

The basics of effective networking



Networking is regarded as relatively simple, painless and cheap. But doing it well takes a degree of skill. **Phil Ingle** provides some tips.

Winning a plum piece of business; knowing exactly who to call on for help with a specific job of work; being able to recommend the right guy to help someone else; and being put forward for an unadvertised job. All of these can result from effective networking. The following are my top tips for networking well.

- 1) Identify your network. It could include work colleagues (past and present) business contacts (clients, suppliers, partners, auditors, bankers... even competitors) and wider business contacts (those you meet through professional bodies).
- 2) Expand it – increasing both the number of contacts and the variety of their skill areas.
- 3) Be discriminating with recommendations from that network, ie try only to recommend those who you trust, perhaps through your personal experience, and if you don't have personal experience, qualify your recommendation. If in doubt, don't recommend.
- 4) Understand the importance of first impressions, ie take care of your appearance, use friendly body language (make eye contact, smile, nod) and look and sound interested.
- 5) Plan in advance who you want to meet, and how to engage them in conversation.
- 6) As a general rule, say 'hello', introduce yourself, and ask a straightforward question about what the other person does.
- 7) Use the 'elevator test' – imagine you have just four floors' worth of time to put over what you do (not just a bald job title) and engage your fellow passenger's interest. Try to get them to communicate similarly swiftly.
- 8) A new contact may not bring immediate rewards. Don't be afraid to say something like "you seem to be well set for now, but if you know anyone in a situation where you think I could help, please give them my name".
- 9) Have a method of keeping track of those you have met. A simple index of business cards will do the job, or you can put details on a database. But be aware that this information needs to be kept up to date.
- 10) Make sure you are available – or all the networking will be in vain. Use your e-mail and voicemail and respond promptly.
- 11) Keep in touch with your network, but always by adding value, eg by updating them on changes in your business which they could find useful. 'Courtesy' calls are seen as time wasting.

Phil Ingle's company Eye to the Future provides training for organisations seeking to improve staff effectiveness. E-mail: philingle@eyetothefuture.co.uk www.eyetothefuture.co.uk Tel: 01926 641811

Networking is a cheap and very natural way of enhancing your professional reputation. And it gets results. **F&M**

IN FUTURE ISSUES...

Finance & Management

- XBRL – a revolution in reporting
- The role of the CFO post Enron
- Incubating an innovative culture
- Corporate governance – the Higgs and Smith reports

IN MAY'S MAILING...

Management Quarterly

- MQ19 will be devoted to 'value management', with a series of articles looking at this topic from several angles, including strategy, marketing, human resources, finance and information technology.

Finance & Management

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