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BUSINESS MEMBERS' MAGAZINE

AN OLYMPIC YEAR AHEAD

Experts forecast the business and economic challenges of 2012

PLUS

Finance best practice

Women on boards

The FD's seven hats

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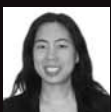

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FROM THE FACULTY

2012 – AN OLYMPIC CHALLENGE?

Looking at the year ahead, it is tempting to say that the outlook has barely changed since 12 months ago. The economy still seems to teeter on the edge of recession, leaving businesses trying to pare costs – already cut to the bone – and do more with fewer resources. So, arguably, things are rather worse than a year ago!

Yet that is not the entire picture. Let's not forget that, in the UK, 2012 is the year we host the Olympics and, of course, celebrate the Queen's Diamond Jubilee. Both should boost morale. The Olympic stadium – a massive construction exercise – has been completed within budget, a year ahead of time, and some companies will already be feeling the benefit of having participated in these huge infrastructure projects.

Then, in the lead up and during the event itself, the focus of the world will be on the UK. Visitors should provide a big boost to many associated industries – the London-based leisure, hotel and transport ones for a start. Hopefully this will lead to a ripple effect across other sectors and other areas of the country.

Of course the Olympics will not be without their downside. Businesses based in and around London need to plan now for the inevitable disruptive effect that the massive influx of visitors will have on delivery/distribution times. There will also be the question of arranging cover for staff holidays – and some inevitable 'sick' days. Perhaps a check on one's business continuity plan should be on the early 2012 'to do' list?

Things at the faculty will not be unchanged either. As already announced (*F&M* Issue 193) faculty head Chris Jackson has left to take up a new post with the International Ethics Standards Board for Accountants in New York. I'm sure members appreciate – as do I – all his hard work on our behalf. We are now in the capable hands of Emma Riddell.

The faculty itself continues to adapt and, we hope, to improve. We are always working to make our material even more current and international. We are also trying to stream information more effectively.

We are not immune to the economic conditions, though. In 2011 we started charging a small amount for events, and happily this does not appear to have dampened members' enthusiasm. This year we have had to raise the membership fee slightly from £80 to £85. However, I'm sure members will find this small rise acceptable, given the benefits faculty membership provides. Recruitment industry experts report that there has been a marked shift towards senior applicants being out of a job, rather than merely seeking a change. And if that is increasingly the case, the networking and support opportunities of faculty membership will be invaluable for those seeking finance posts.

In short, I hope the faculty will continue to be members' first port of call to stay current and connected through another challenging year.

Carolyn Bresh

CAROLYN BRESH

FINANCE & MANAGEMENT

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BUSINESS UPDATE

ECONOMIC CRIME ON THE INCREASE, SURVEY SHOWS

Economic crime remains on the rise in Britain as business and public sector organisations struggle in the face of economic austerity and spending cuts, according to the findings from PwC's latest global economic crime survey (GECS) of 3877 representatives of organisations in 78 countries.

Over half of the UK respondents to the GECS, the most comprehensive study of economic crime in the business world, reported at least one instance of economic crime in the last 12 months, compared with the global figure of 34%. Perhaps more worrying was the finding that nearly a quarter of UK respondents said they had experienced more than 10 incidents of economic crime during the year.

The survey findings suggest that the combination of rising economic crime in the UK, and widespread austerity spending cuts that limit the resources available to focus on economic crime, has made today's business environment altogether more difficult and risky.

For more see www.pwc.co.uk

SHARP FALL IN CONFIDENCE AMONG BUSINESS LEADERS

The continuing eurozone crisis has caused a sharp fall in confidence among senior business leaders and the possibility of a second banking crisis is weighing heavily on corporate sentiment. This is the finding of new research carried out by the Confederation of British Industry (CBI) and Ipsos MORI.

Of the 122 business leaders who took part, 70% said their level of confidence in the economic outlook had fallen since the beginning of August.

Interestingly, only 30% of business leaders believe their company's prospects have deteriorated, with a majority (57%) saying they've stayed the same, and around one in 10 (11%) saying they've improved.

For more information and further survey results see www.cbi.org.uk

NEWS IN BRIEF

CONSTRUCTION WEAKENS

Growth in the UK building sector fell back in November after a surprise gain in October, a survey suggests. The Markit/Cips Construction Purchasing Managers Index fell to 52.3, down from 53.9 in October. See www.markiteconomics.com

TASTE OF THE NATION

British consumers are still going out to eat and drink, according to Deloitte's Taste of the Nation survey. The survey results reveal consumers have been going out to eat and drink 12% more often than six months ago. However, it also indicates that this is likely to decrease again in the near future, with 38% of survey participants expecting to be worse off in the next six months. See www.deloitte.com

TOP LINKEDIN THREADS

1. Cloud-based accounting systems for SMEs.
2. Risk-based investment appraisal.
3. Balanced scorecard – Q&A.

To enter the debate join our group – ICAEW Finance & Management Faculty at www.linkedin.com

RENEW YOUR FACULTY MEMBERSHIP FOR 2012

We hope you have enjoyed your faculty membership during 2011. We look forward to continuing to help you perform at your best in 2012.

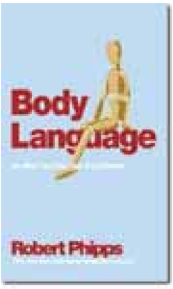
When you renew your membership you will have access to your:

- monthly magazine;
- in depth regular special reports;
- monthly electronic newsletter;
- free online access to any article or report published by the faculty;
- regular events with discounted rates for faculty members;
- opportunities to network with your peers through our two LinkedIn groups;
- women in finance network; and
- chance to be part of our thought leadership project.

Plus new during 2012:

- a practical focus on business performance management; and
- coverage of the hot topics selected by you in our annual survey.

ACTIONS ARE LOUDER THAN WORDS



Body Language: Why What You Don't Say Matters at Work
by Robert Phipps
Paperback, 216pp, Capstone
ISBN: 978-0857081742 £12.99

Body language matters. From getting a job to getting a pay rise, and from closing a deal to managing the people around you, it makes a big difference. Robert Phipps shows how to make it work for you. Busting major body language myths, Phipps reveals how to read other people's body language and to use yours to succeed in business and life.

Spending Advertising Money in the Digital Age: How to Navigate the Media Flow
by Hamish Pringle
Hardback, 336pp, Kogan Page
ISBN: 978-0749463052 £29.99

Seismic changes are occurring in the world of advertising due to the inexorable rise of new technologies and the way consumers are using new media. As a result, accepted ways of using the media to build brands are being challenged. This book suggests a new model that describes which media to concentrate on, and how to allocate the budget.

Bribery and Corruption: Navigating the Global Risks
by Richard Sibery and Brian Loughman
Hardback, 432pp, Wiley
ISBN: 978-1118011362 £50.00

As businesses continue to expand globally into new markets, bribery and corruption risks have increased. This book offers a comprehensive look at this problem, and at the Foreign Corrupt Practices Act (FCPA) and other international anti–bribery and corruption conventions. Presenting hypothetical examples of situations companies will face, along with practical solutions, the book offers detailed global guidance on a region- and country-specific basis.

LATEST WEBCAST

Prepare your popcorn! Our latest webcast 'How to manage your boss' is available on the faculty website at icaew.com/wifmarchevent. This Women in Finance (WIF) networking event was hosted at Chartered Accountants' Hall, London on 8 March 2011. At the event, Jennifer Mackay of Jump Training and Development led a practical session on how to understand your boss's needs and management style, and to make them work for you.

THE GURUS

'Opportunity is missed by most people because it is dressed in overalls and looks like work.'
THOMAS EDISON, US inventor

LOOKING AHEAD TO 2012

What will 2012 hold for finance professionals in business? A variety of experts offer their predictions in the areas of legislation, the economy, financial management and business trends.

GLOBAL ECONOMY

Following the eurozone debt crisis, **Charles Davis** predicts slow economic growth for 2012.

Dark clouds gathered over the global economy towards the end of 2011, as the eurozone debt crisis rumbled on without any sign of a convincing solution despite several false dawns, changes of government and an increasingly worrying market response. After a remarkably strong recovery from the global recession from mid-2009 through to early 2011, we have since seen the pace of growth slow across the globe, precipitous falls in equity markets and economists rushing to downgrade their forecasts for growth in 2012.

Indeed, the Bank of England (BoE) recently downgraded its forecast for UK growth in 2012 to around 1%, down from 2% in its August projections, and the Office for Budget Responsibility (OBR), the government's independent forecasting body, dramatically scaled back its growth projection to just 0.7% for 2012. While arguably the Bank and OBR have been behind the curve, there is no doubt that there has been a widespread worsening in sentiment in recent months amid the eurozone imbroglio.

However, there is also a risk that the downward convulsions in market sentiment move us away from fundamentals, from a global perspective. Yes, the eurozone is in a terrible mess and this is a hugely worrying uncertainty hanging over the world economy. But does this necessarily mean the emerging market growth story has disappeared? Don't several of these increasingly important emerging economies have plenty of fiscal and monetary policy firepower at their disposal if it becomes clear that Western demand is contracting?

My view is that the world economy will expand at a slower rate in 2012 – but the story will vary significantly across the globe. Indeed, as growth slows, there will be scope for policy intervention in economies such as China, India, Brazil and Saudi Arabia that can help to drive domestic demand in these economies as part of the global economic rebalancing.

There is no doubt that 2012 looks like being another tough year for the advanced economies of the West. Across the eurozone, contraction in economic output in the final quarter of 2011 seems likely – and following that a technical recession looks highly possible. While some recent indicators from the US have been slightly better than expected, the world's largest economy still faces massive challenges – particularly in the shape of how to bring down its massive budget deficit and quell public debt from its current relentless rise. While the fiscal drag from Washington's attempt to bring down the deficit will act as a brake in the US, the private sector also seems nervous; job creation has significantly underwhelmed in 2011, leaving unemployment around the 9% mark.

All of which makes the UK's export-led recovery model all the more difficult. The coalition government's economic strategy has been to focus on reducing the deficit by cutting public expenditure – which had grown significantly in real terms over the last decade – and raising taxes such as VAT. In 2011, some of the impact of this has been felt – inflation was pushed higher by the VAT rise, furthering the squeeze on real household incomes caused by low earnings growth and commodity price rises. In addition, in the second quarter alone, there were 111,000 public sector job losses – vastly higher than those projected by the OBR – contributing to pushing the unemployment rate above 8%. The squeeze on real household incomes has seen real consumer spending decline for four successive quarters and spending was flat in real terms in Q3.

Hence, domestic demand in the UK has been incredibly weak and is unlikely to be a driver of growth in the near term. Given this, the UK's economic recovery is heavily reliant on business investment and export growth. With around 50% of the UK's exports going to the imperilled eurozone and business confidence in free-fall – the Q4 ICAEW Business Confidence Monitor showed the largest quarterly decline in confidence on record – these drivers of growth remain significantly impaired. Therefore, we think the UK economy is likely to contract through the final quarter of 2011. Moreover, the big question is whether the government and BoE can do enough to prevent another recession. Whether there are two successive quarters of decline or not, don't count on the UK economy bouncing back to robust growth in 2012 – it remains a highly uncertain economic outlook.

Charles Davis is a managing economist at the Centre for Economics and Business Research (Cebr). He manages the prospects service, Cebr's macroeconomic advisory package for business.
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LEGISLATION AND REGULATION

Prepare for a legislative and regulatory rollercoaster ride, says **David Gardner**.

Just when we thought 2012 would provide a respite to allow the new regulatory regime to bed in, it turns out we were wrong. The coincidence of some immediate post financial crisis measures having taken longer than anticipated, plus the fresh impetus of the eurozone crisis and the late 2011 slow down in global growth, means that we need to hold tight, fasten our seat belts and be prepared for a regulatory and legislative rollercoaster.

The G20 heads of government meeting recently in Cannes did restate the fine principles of regulatory convergence and international standards, though the reality is more of regulatory divergence or fragmentation in many spheres. The European Commission (EC) has the most ambitious agenda with internal markets commissioner Michel Barnier determined to make an impression and show leadership, leading to some concerns that the European Union (EU) will lose competitive edge due to regulatory arbitrage.

Among the most important elements in Barnier's package – due for co-decision by the European parliament and council (member states) – are the Capital Requirements Directive implementing Basel III in Europe; the Alternative Investment Fund Management Directive; a new version of the Markets in Financial Instruments Directive to bring organised trading facilities and high-frequency trades under the regulated framework; and a new Audit Directive and regulation.

There is significant activity expected in the corporate governance sphere following EC green papers in 2011 leading to legislative proposals in 2012 and proposed amendments to the fourth and seventh company law directives that will further raise the statutory audit threshold to help reduce the regulatory burden and stimulate growth.

In the UK, proposals are expected on narrative reporting following government consultation and something may also come from the Kay review on how equity markets can take a more long-term view.

In the accounting arena, 2012 is the deadline both for the G20's ambition for a single set of global accounting standards (where the US Securities and Exchange Commission has to make a final decision on whether to embrace IFRS) and for the International Accounting Standards Board to implement new standards on financial instruments which will then need to be agreed by the EU. On audit, Barnier's radical proposals (centred on extensive regulatory intervention in the market) are likely to have a tough ride with strong business opposition through both the European council and parliament, although some elements extending the single market and ensuring greater transparency will win almost universal support.

Three-way split for FSA

Back in the UK, the slightly gentler and more deliberative reforms to banking and financial regulation should bear fruit in 2012. Following the pre-legislative scrutiny of the draft Financial Services Bill, it should make its way through parliament in 2012 splitting the Financial Services Authority three ways into:

- the Financial Conduct Authority – responsible for how financial institutions conduct business;
- the Prudential Regulatory Authority – responsible, under the Bank of England (BoE), for day to day regulation and supervision of financial firms; and
- the BoE's Financial Policy Committee – responsible for maintaining financial stability.

Hence, there are some worries that the UK's voice will be somewhat dissipated given the lack of harmony with the new EU regulatory co-ordinating structure of European Security and Markets Authority, European Banking Authority and the European Insurance and Occupational Pensions Authority.

Increased capital requirements for UK banks

We then have the Independent Commission on Banking (Vickers) Report, whose September recommendations will need legislation to ring-fence UK retail banks and regulation on enhanced capital requirements still subject to negotiation with the EU. The Financial Transactions Tax (FTT) has commission support, but as it yet lacks the required global commitment, it will struggle to be adopted as tax measures need unanimity. And the UK has explicitly said that it will use its veto.

And, of course, 2012 sees three quite significant G7 elections – ie France, Italy and the US – which will mean a probable pause in US legislation and may see some new impetus in Europe, as well as possibly testing the Franco-German bedrock of the eurozone at a time when there is pressure to move towards a tightening of fiscal and possibly regulatory alignment between euro members that may lead to a two-speed Europe. The UK and other players

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> ‘2012 looks set to be a bumpy year of trying to ensure leadership, consistency, stability and confidence’

not using the euro, though, are likely to resist moves for an inner circle that can dictate terms to other EU members.

Altogether, 2012 looks set to be a bumpy year of trying to ensure leadership, consistency, stability and confidence; keep the G20 ambitions on track; avoid a eurozone meltdown with its ripple impact; and ensure sustainable growth while tackling the moral hazard of ‘too big to fail’. Hold on tight…

FINANCIAL MANAGEMENT

Agility is the watchword for financial management in 2012, says **Martin Holyoake**.

For the last couple of years finance has been at the forefront of reshaping the cost base of the business in troubled times. It has been busily applying its analytics skills to help the organisation find the right commercial focus to thrive going forward. In that time it has learnt how hard it is to get to good data, how much ‘heavy lifting’ occurs in spreadsheets, and how difficult it is to make changes to ways of working across the organisation.

Many CFOs are now focusing their attention on how to make finance processes more agile as well as effective. There are real benefits to be gained from:

- agility in getting quick insight into performance;
- agility in making acquisitions and disposals;
- agility in forecasting changes to business circumstances; and
- agility in making necessary changes fast.

Also, many CFOs – and their organisations – are typically wondering what is holding things back, especially as many have invested a lot of time and money over the years in improvement programmes. Here, three factors are contributing:

- continued lack of common processes and ways of working – this drives inefficiency, and erodes the quality of underlying data;
- fragmented data extraction and analytics tools – often these are focused around business units or single dimension finance uses, and hampered by ERP systems which have different data structures for the same item; and
- fragmented finance organisation models – many organisations still have substantial parts of finance spread in divisions, business units, shared services and outsourcers in a way that lacks cohesion, and drives further variation in process and data.

When documented these variations appear as complex process flows, or colour coded heat maps that look like a cross section of a very complex Battenberg cake. These deeply entrenched elements give many finance organisations the ‘Battenberg effect’ when they look at their processes, data or finance operating and governance model.

In 2012 these issues will be addressed in earnest by many organisations, with a common checklist of actions emerging, including:

- is there a standard process model in place – be that global, regional or by business unit? Effort is being put into ensuring that a clear and pragmatic end state vision for how processes should be executed, governed and measured exists, then shaping actions to close the gap. Often previous attempts in earlier change programmes had failed to deliver this at the right level of detail;
- how much process variation exists – both in terms of process ways of working and process ownership? The local model of ‘we need to be different’ is being challenged, as often the macro benefits of commonality far outweigh local needs. Using sophisticated data mining tools organisations are seeing what process variation exists and where. This helps changes to be surgical and more effective in eliminating local ways of working;
- what are the right metrics to run the business now, and how do we use these to change behaviours? KPIs at a strategic, operational, and process level are being re-visited, with a greater emphasis on driving the right outcomes and behaviours, rather than just measuring historic performance. The automation of these in reporting tools is causing existing management reporting to be challenged and reshaped – reducing costs and allowing reporting activities to be moved from local to regional organisation; and
- why are finance activities still local where shared services exist, and can more be brought in? Where shared services or outsource arrangements for finance exist, there is a drive and challenge to move more activities into that service organisation. This will ultimately drive out cost, but also establish the platform to deliver improvements in process efficiency, commonality and data quality.

There is a clear prize for 2012 – those organisations that drive commonality, better governance and making the right data retrievable will be the most agile, and able to react quickest to exploit new opportunities.

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'Businesses need to make sure that their project management skills are first class'

BUSINESS OUTLOOK

The faculty committee suggests the issues that business will face this year. **Emma Riddell** reports.

For space reasons these issues are highlighted briefly here. After each topic we pose a key question and ask you to join us for further debate on our LinkedIn group.

Securing funding

Many of last year's predictions remain relevant, including the increasing influence and strength of Asia, and the need to continue improving finance basics. However, once again cash management and funding is going to be many businesses' primary concern over the coming 12 months.

Q. Have you tried to secure funding during 2011 and if so, is this an issue that resonates with you?

Identifying and responding to change

With uncertainty being the only thing predictable about 2012, the importance of being able to identify risks and trends as soon as they emerge will be crucial. As finance professionals we will need to see beyond the media headlines and use our judgement to help decide whether the reported threats and opportunities are real ones that we need to react to, or whether they will quickly fade.

Our processes for scanning for risk need to be robust, as do our data collection and internal reporting systems. We need to be able to quantify risk and communicate the probable financial impact in the boardroom.

Q. How do you scan for emerging risks and assess them before taking them to the board?

Scenario planning

The economic situation means that there are many threats that we can't do much about, other than try and anticipate their effect and plan how to react accordingly. Scenario planning will help here. For example, what is the business's contingency plan if the Euro rate hits parity, or 1.50, and seems to be sticking there? What about fluctuations in commodity prices? What if our customers and suppliers start squeezing our margins?

Q. To what extent has your business considered alternative scenarios for the future?

Major cost saving initiatives

The period of economic uncertainty has carried on for longer than many of us predicted, and cost saving measures that may have seemed unpalatable a year ago might be brought back onto the board agenda. Transformational projects that have been avoided until now because they involve risk and upfront investment are likely to become more common. Projects such as outsourcing, further process automation and the closing down of unprofitable ventures may become major activities during 2012. These are core areas of expertise for the commercially-focused finance professional and an increasing number of such jobs are becoming available.

Businesses need to make sure that their project management skills are first class. For both new and ongoing programmes, costs need to be kept on target and achievement of benefits needs to be monitored.

Q. What major projects do you have for the coming year? Are there any trigger signals that you are waiting for before committing to investment in the project?

Customer focus

With most customers considering all purchases carefully, it is now more important than ever to make sure we understand exactly what they want and why they buy our products. Low consumer confidence means that optional purchases are likely to be delayed for as long as possible. Businesses that convince their customers that a product or service they provide is an essential part of everyday life are more likely to do well.

Customers are looking for more peripheral value out of their purchases and accordingly successful businesses will need to find innovative ways of differentiating their products in the market place.

Q. What steps are you taking to ensure that what you are selling is really meeting customer needs?

The end of budgeting?

With revenue growth being lower than many of us predicted, corporate budgets that are reaching completion or have already been concluded may need revision. Or is it time for the budgeting process to undergo radical surgery? Apparently, some SMEs have already given up comprehensive budgeting, and now simply set themselves the target of maintaining or bettering last year's performance. That said, tight financial control and accurate reporting have never been more important.

Once again 2012 is a year when we will need to be nimble. Risk will be unavoidable. Finance professionals will play a key role in navigating their businesses through economic rapids by combining balanced risk taking and strong financial management.

Q. Has your approach to budgeting changed since 2007 and, if so, how?

To continue this discussion go to our LinkedIn page www.linkedin.com ICAEW Finance & Management Faculty.

We would like to thank the following members of the faculty committee and members: John Ferguson, Ben Freeman, Len Jones, Tony Powell, Tristan Price, Rob Thompson, Patricia Spreull and Abel van Staveren.

FACULTY EVENT – MAXIMISING VALUE AS YOU MANAGE CHANGE

If you are considering transformational projects during 2012, then our event on the 25th January could be ideally timed for you. Penny Bickerstaff will be looking at how to ensure your change programme delivers what was expected. For more visit icaew.com/fmevents

FINANCE FUNCTION EFFECTIVENESS

THE SEVEN HATS OF THE FD

Last month we looked at how FDs should be good co-pilots (sitting alongside the CEO) and storytellers (turning the numbers into narrative). This month, Richard Young explores the next three 'hats' they must wear, and discovers how a mastery of processes and systems, being a business arbiter and acting as trusted counsel are also crucial to the FD role.

Most FDs agree that one of the defining aspects of their role is the ability to see both right across and deep within their organisations, in a way no other director can. Not even the CEO routinely surveys the kind of granular data the FD must – while at the same time taking a strategic view of operations.

Our next three 'hats' for FDs – 'engineer', 'magistrate' and 'consigliere' – speak to this breadth of vision. 'As FD, you see the business from start to finish,' says Andrew Lewis, group FD of Avon Rubber and winner of Young FD of the Year at the FDs' Excellence Awards 2011, supported by ICAEW.

'All those different elements come together in the profit and loss (P&L). Unless you have a handle on that breadth of activity, you'll only ever know the numbers superficially – and a board is right to expect the FD to know the organisation a bit more deeply than that.'

So while it's important to be a great engineer – having a feel for the mechanisms that allow the organisation to operate and taking delight in designing them for maximum efficiency – a good FD marries that to broader objectives.

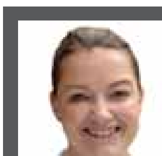
'You shouldn't micro-manage processes,' says Stuart Bridges, CFO of FTSE 250 insurer Hiscox. 'And it's not just about delivering a business case – a good FD can make a decent business case out of anything. It's whether the reality of it at a higher, commercial level makes sense.'

So being an arbiter of smart decision-making is also key. A good magistrate listens to the evidence, evaluates it in context and makes judgments that everyone can respect. 'It's important to be fair and for people to recognise that,' Bridges adds. 'You should be seen as someone with the influence to change a decision if it's wrong – and be approachable enough to have others challenge your view.'

Finally this month, we have the consigliere – the trusted advisor and close confidant(e) of those in power. The word derives from mafia families – it was popularised in the Godfather movies – and hints at a need for the FD to be a discreet, wise and knowledgeable counsel to both their board colleagues and managers more generally.

The engineer

In many organisations, the FD takes board responsibility for a wide range of departments. And they're often the only director with formal business training. So understanding how the business functions – how its systems and processes knit together to deliver a platform for value – is an essential part of the role.



Zoe Tindall, FD of Pho

THE SEVEN HATS OF THE FD

Storyteller – creator of a clear narrative for internal and external audiences.
Co-pilot – partner to the CEO with a complementary skill set.
Magistrate – arbiter of disputes and enforcer of the law.
Consigliere – trusted counsel offering advice at the highest level.
Engineer – master of processes and systems; architect of business models.
Muse – promoter of fresh thinking and value-enhancing decisions.
Rescue service – identifier of problems and presenter of solutions.

The machinery of business has undoubtedly become more complex and fast-moving. The interrelationships between systems and operations, across supply chains and within processes, mean that simply fulfilling your fiduciary duty as a member of the board these days demands a watchmaker-like attention to detail.

For the FD, that requirement to be something of an engineer is even more acute. 'There is a deep desire, for me anyway, to understand how everything works and how the jigsaw all fits together,' says Zoe Tindall, FD at restaurant chain Pho. 'As FD you worry things will fall into gaps unless you can see how all the cogs are meshing together. You want to ensure it's a seamless business operation, that everyone's back is covered.'

In her current role, Tindall is also living out the other kind of engineering FDs are often called in to do. 'In a smaller business, there's no infrastructure to do things for you,' she explains. 'As FD, you have to get out and do it yourself.'

At Pho that's meant building up the finance function, equipping the head office and rolling out technology to support the company as it grows. Tindall has been here before – as FD of the Yo! Sushi chain, and at other private equity backed businesses.

'Good systems and processes are the foundation of everything else you do,' she says. 'If you know that they all work well, you get a confidence – that your numbers are correct, that information is reliable, that risks have been identified and managed. A risk register, for example, is a crucial part of the business machine – engineering isn't just about IT systems talking to each other.'

The engineer, then, doesn't just pull together different parts of the machine, ensure it's well oiled and capable of supporting the business. And it's not just about making sure the back-office functions run smoothly. Good engineering creates value.

'Raising finance and buying and selling businesses comes down to a run-rate and a multiple,' Tindall explains. 'So how do you assess the multiple? Yes, there are comparables and market rates – but you can be at the top end of a multiple range purely because you've been doing all this engineering in the background. That contributes to the quality of what you're doing, of the profit you're delivering.'

So it's a value-enhancing part of the role, too. 'It's about running a continual due diligence process on your own organisation,' she says. 'That's not just being an internal police officer nit-picking. It's about engineering value in your business. Unless all those processes and mechanisms are in place and working together, quite aside from what your business actually does, you simply can't deliver sustainable value.'

The magistrate

Colin Bramall, CFO of James Hull Associates

Managers and employees, customers and investors will rightly ask where the FD was, if the organisation lacks financial discipline. But it's not enough just to hold people accountable or apply the right accounting rules. The FD must also create a context for evaluating decisions and be a fair arbiter of disputes – a true justice of the peace.

'The magistrate role probably comes closest to the clichés about FDs,' says Colin Bramall, serial FD for private equity backed businesses and currently CFO at James Hull Associates. 'But ultimately we are the ones who have to say "no" on a day-to-day basis. And most backers want you to do that, too. They want someone testing the assumptions and the ideas people are coming up with.'

When the magistrate role is lacking, companies can end up in trouble. 'I'm very dull when I start a new job: I always ask whether the balance sheet has been reconciled,' says Bramall. 'Nine times out of 10, when you go into a business that needs attention, someone will have forgotten the balance sheet basics. That's where the real dangers lurk.'

So why does that happen? Usually it's simply that, instead of laying down the law, an FD has been distracted. 'Often, for political reasons, an issue has not been confronted,' says Bramall. 'When that happens, you have to put a line in the sand and say, "no further – here's the reality, now we have to deal with it".' The flip-side, he adds, is that: 'In a business performing badly, people don't recognise that they're doing some of the right things. They're distracted by negative sentiment. As an FD, you can present the numbers and explain performance to get people to react in a different, more positive way.'

If the balance sheet is the statute book, the evidence before the court is usually cash. 'Mike Gifford [FD at Cadbury Schweppes, 1978 to 1983] was one of the best FDs I ever worked with,' Bramall recalls. 'Long before private equity's prominence, he was preaching the message about cash. The presentation of the management accounts was turned on its head to ensure the P&L and balance sheet were focused on it – then the message was spread throughout the organisation.'

The great advantage of cash is that it's an easy law for people to obey. 'I take the P&L down to EBITDA [earnings before interest, taxes, depreciation and amortisation] – everything under that is outside line managers' control,' Bramall explains. 'Then I change the presentation of the balance sheet – removing everything that's subject to financing and tax, so you're left with fixed assets and working capital. The aim for managers is then simple: make that figure as low as possible.'

That simplicity allows the magistrate to keep people on the straight and narrow. 'For example, if you keep

> 'The FD has to play the role of the wise counsel who can test other members of the team while keeping their respect'

squeezing marketing people constructively, it can become a real source of invention for them,' Bramall says. If a magistrate can't command respect by showing an understanding of the people over whom they are making judgments, their decisions may be ignored.

So they need to work within clearly defined and well-communicated rules. 'As FD, you must challenge the performance of the entire management team,' Bramall observes. 'Done well and respectfully, it leads to a great working relationship. And if you're a tight group, pressure for better performance will strengthen the team, not weaken it.'

The magistrate role is also vital when an FD is required to explain the business to outsiders. 'It's in a due diligence process that you demonstrate that you're really on top of your brief,' says Bramall. 'An FD gets interrogated during due diligence more thoroughly than anywhere except a court of law. If you're not on top of it, you can be personally responsible for a loss of value in a transaction.'

Bramall has one more lesson for would-be magistrates: get a great financial controller, a policeman to the FD's magistrate. 'Ultimately, as FD, you can't be distracted by the numbers issues the whole time,' he concludes. 'You have to know they're taken care of. It creates the headroom to let you fulfil all the other aspects of the role.'

The consigliere

The Godfather movies and the television series The Sopranos offered insights into the tight-knit world of the mafia. Alongside the head of every crime family sits a consigliere – a respected figure who the boss can turn to on the most sensitive matters and biggest decisions. For an organisation to function effectively, the FD needs to play a similar role.


Stuart Bridges, CFO of Hiscox

Stuart Bridges is clear: the primary role of the FD is to be a good company director. 'Like it or not, I have a responsibility for everything that goes on in the company, whether it's directly in an area that reports to me or not,' says the CFO of FTSE 250 insurer Hiscox.

In other words, fiduciary duties are paramount. But it's impossible to fulfil them – enforcing strong governance and taking responsibility – without being part of a tight-knit management group. 'It's a given that a CFO gets the finance elements right,' Bridges explains. 'What you're really in there for is the strong challenge – in particular of the CEO. There aren't many other people who can do that.'

If the challenges were always hostile or if the relationship was fraught, it wouldn't work. And that's why the FD has to play the role of the wise counsel who can test other members of the team while keeping their respect; someone they turn to for advice before a decision is taken.

'We had a board debate about the common themes of companies that fail,' Bridges says. 'One of them is that there's no-one who can challenge the CEO successfully. If you get one who won't listen, you can't address a problem when it happens. You have to be able to tell a CEO in a frank way when their actions are wrong.'

That demands a degree of authority – and others' trust that, as FD, you know what you're talking about. 'It's good to be right,' stresses Bridges. 'But there's a danger. If you wait until you know you're 90% right, often you're too late. So you need good gut instincts – and to be brave enough to get it wrong sometimes.' So allying an instinctive knowledge of the business and its operations with a toughness of character is the secret to making this role work. But it helps when the finance function is designed – like a mafia network – to keep the FD informed.

'We have a central analysis group here, for example, a small team whose role is to follow up ideas into how we might change,' says Bridges. 'They're constantly benchmarking us against others. And they're able to get the facts to support our ideas and instincts. As CFO, it means a hypothesis can be backed up or destroyed very quickly. It allows for a sensible debate, but one settled fast. A debate where no-one has much by way of facts is often lengthy and gets you nowhere.'

Bridges reinforces this 'wise counsel' part of the role by being an active member of the market, sitting on both industry and non-industry boards. Those external links ensure he can bring outside ideas to the board, enriching the debate and preventing 'groupthink'.

However, dissent among the leadership of a mafia family would be a recipe for disaster. So the FD-consigliere should never forget that even when their counsel is ignored, they must present a united front.

'Once you've tested people's positions and influenced the course of action, there's got to be a united face,' says Bridges. That's not entirely analogous to the mafia concept of 'omerta' – but without such a 'code of silence' about board-level debates, it's much harder for an FD to position themselves as the trusted influencer of their peers.

'The key for me is that both sides of the equation recognise that the challenge aspect needs to be there,' Bridges concludes. 'CFO is one of the positions that can actually provide that, and it also allows you to be a sounding-board for a lot of ideas. It puts you into the role of confidant(e) – and someone who can really shape value creation.'

SAVE THE DATE
Richard Young will chair the ICAEW Finance Directors Conference 2012 on 16 May in London. The programme will reflect the content of this article. For more information see icaew.com/fdconference

LEGAL

NEGOTIATING AND DRAFTING CONTRACT

Anyone who has had to revisit a business agreement – usually when things have gone wrong – knows the importance of getting the terms and terminology right from the outset. **Graham Fuller** gives advice on how to do so.

A fairly common business attitude is 'Once we've signed a contract it goes in the drawer and we forget about it' – the implication being that the whole process of drafting, agreeing and signing contracts is a waste of time.

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This is a mistaken belief. True, if everything runs smoothly there may be little need later to re-examine the paperwork. But life is rarely that simple. Deals do go wrong, and at that point the meaning of the words used in the original contract will prove vitally important.

The golden rule in negotiating/drafting agreements is prior preparation – whether the exercise involves constructing an entire contract word by word, or just discussion of a few changes in an otherwise acceptable document. Yet British commercial negotiators often seem ill prepared and, when working in a team, tend to argue in front of the other side – which cannot then be blamed for exploiting this.

To avoid any such ill-preparedness in your own negotiating/drafting procedures, I suggest you address all seven of the issues listed below prior to the event. This will help ensure you really get the agreement you want.

Getting ready

1. What has already been said?

Before beginning negotiations ask what, if any, discussion has taken place with the opposition. For example, has anything been said or written by a colleague which might cause you an unpleasant surprise? If it has, it is vital to know as soon as possible. If some ill-advised person has given it away before negotiations start it will be necessary to carry out some damage limitation. This probably means contacting the other side and warning it that, for example, 'we understand our Mr Bloggs said delivery times weren't crucial. Unfortunately he wasn't aware of the true situation. When we meet next week we will be seeking a very precise delivery schedule. I thought I'd let you know straight away, to give you a chance to think about it.'

2. Who is the team leader?

A negotiating team should always have a leader. This does not mean that he or she is the only one allowed to speak at the meetings but that they should act as the focal point of the team.

It is, for example, the team leader who should take the initiative in asking for breaks so that members can discuss matters between themselves. It is also the leader's task to ensure that verbal agreement on each point is being accurately recorded in writing as the negotiation proceeds.

But it is not the team leader's function to disregard a concern of a team member or to try to overrule that member in front of the opposition. The leader need not necessarily be the most senior person present.

> 'It is rarely, if ever, a good idea to produce a draft contract like a rabbit out of a hat, and expect to start negotiations on it straight away'

3. Negotiators

a) Sole negotiators – many organisations lack the resources to field more than one negotiator. It is too glib to say nobody should ever carry out negotiations of any significance on their own as often there is no choice. So no-one, when negotiating on their own, should ever be ashamed to tell the other side that the discussion is taking a turn beyond their technical or legal competence or, indeed, beyond their authority.

b) Support – whether you field a sole negotiator or a team, ensure that those negotiating will have all the management support they need. Whether it is a team negotiating, or just one person, it is essential that the other side does not succeed in the tactic of reporting resistance to someone higher up in your organisation. It is not pleasant to be told: 'well, if you refuse to agree to this we will just have to talk to your managing director, and we think he'll agree with us.'

Unfortunately this tactic sometimes works if the organisation has senior managers who, through vanity, weakness, ignorance or just a desire for a quiet life, tend to overrule their own negotiators. There is no easy answer to this. The problem may be reduced by making sure that, as early as possible, everyone concerned understands why a firm stand needs to be taken on a particular contract issue and agrees to support that stand.

It is also a good idea, before setting out for the negotiation, to warn colleagues that it may be necessary to contact them, to check that they will be available, if this should happen, and to ask them to have the necessary paperwork and other data to hand to answer the kind of questions you are likely to ask them.

4. Whose draft?

Whose draft of the contract should form the basis of the negotiation? Undoubtedly there are great advantages in negotiating from one's own standard terms or from a draft prepared for this particular transaction.

To succeed in achieving this it may help if the opposition is provided with a copy of it well before the first meeting. By taking the initiative early, it makes it harder for them later to say that they want to work from their own document.

It is rarely, if ever, a good idea to produce a draft contract like a rabbit out of a hat, and expect to start negotiations on it straight away. To do this is likely to cause misunderstanding, ill temper and delays.

If you do have to work from their document it is important to be diplomatic and not appear too critical of such matters as grammar or punctuation. Discourtesy has no place at the negotiating table.

5. How tough should the draft be?

If your own draft contract is used as the basis for negotiations then:

- it should reflect discussions and agreements in principle which have been reached so far, subject to anything that may need to be clawed back (see item 1 earlier);
- it should normally express the position you would like to reach rather than the final position you expect to reach – if, for example, you are the customer and the feeling is that the opposition will only agree to a 12-month warranty of the goods or services to be supplied, the draft should express a longer period;
- the draft should not, however, be an exercise in trying to make life uncomfortable and unpleasant for the other party by the inclusion of ridiculously onerous terms; and
- if you are not making progress in reaching agreement on a particular clause it is often better to leave it, move on to other matters and return to it later. By then the objections may not be as great as they had been before.

6. Make sure it all goes in

Be satisfied that any material statement which has been made during the negotiation process is, or will be, recorded in the contract.

This is important because if a material statement is not recorded in the contract document then it is most unlikely to be part of the contract and so there cannot be a claim for damages for breach of contract should it turn out to be false. In such circumstances it will only be possible to make a claim for misrepresentation which is a much more difficult exercise.

Particularly careful scrutiny needs to be made, in this regard, of the part of the contract which sets out the details of the goods or services to be supplied – often called the specification.

7. Contract presentation

Don't draft a contract that looks impenetrable, and in which the terminology is difficult to understand. Follow the tips in Box 1, opposite, 'Making the contract look better'.

'Short paragraphs look better than long ones and short sentences look better than long ones'

Box 1 MAKING THE CONTRACT LOOK BETTER

- Follow the basic rules that short paragraphs look better than long ones and that short sentences look better than long ones.

- Break concepts down by tabulation.

- Defined terms are useful drafting tools. If the subject of the contract of sale is an XYZ1107 Horizontal Grinding Machine it is a good idea, after first referring to it in the contract, then to give it a shorter name, eg 'an XYZ 1107 Horizontal Grinding Machine (called "the Machine")'.
  The effect of this is that, from then on, the contract needs only to refer to the Machine for it to be quite clear what is meant. And it saves words.

- Do not state the obvious. All seasoned contract draftsmen have their favourite examples. Here is mine from a draft contract seen some years ago: 'All references to dates in this agreement refer to the Gregorian calendar and not to the Julian calendar.'
  The last country to use the Julian calendar was Russia and it changed over to the Gregorian as long ago as 1918! This is perhaps an extreme example but here is a more common one: 'Unless the parties otherwise mutually agree, delivery shall be made on or before 2 April 2012.'
  The parties are always free to amend their agreement and there is no need to say this. Taken to its logical limit every single provision in a contract would be prefaced by those words. If for some reason this proviso is to be included then, at least, delete the word mutually. An agreement has to be mutual.

- Avoid saying: 'In the event that …' Those four words may safely be replaced with 'if'.

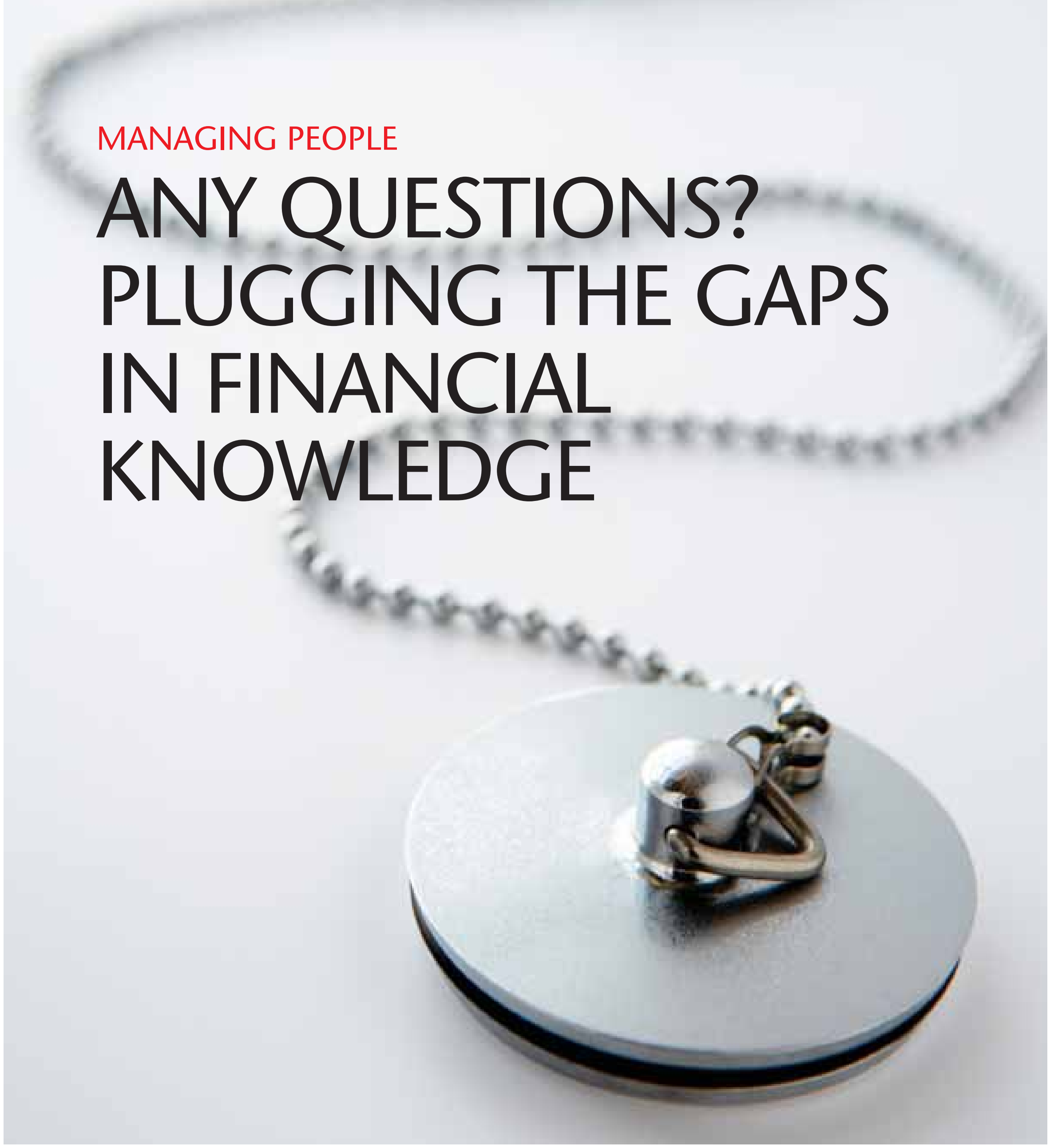
- Is it better to say: 'The seller shall…' or 'The seller will …'? The answer is 'shall'. The duties of a contract party are imperatives and it is a correct use of English to express third party imperatives as shall although it is becoming widespread to use must instead of shall.

- Take care to distinguish between the expression of a duty as 'shall' and the right to exercise a discretion which is 'may'. Where may is appropriate, then use it, rather than say '...has the right to', which is clumsy.

- Avoid archaic expressions such as: 'In witness whereof the parties have hereunto set their hands...' This gem can be safely replaced with: 'Signed on behalf of …'

- Contracts should be expressed in the active and not the passive voice. Here are examples of the difference:
  - '…the seller shall deliver the goods not later than 14 December 2012'; or
  - '…the goods shall be delivered by the seller not later than 14 December 2012.'

  The first is in the active voice and the second is in the passive. The active voice is more positive and more appropriate for the expression of firm, contractual obligations and it uses fewer words.



MANAGING PEOPLE

ANY QUESTIONS? PLUGGING THE GAPS IN FINANCIAL KNOWLEDGE

Finance often has a problem with lack of financial literacy among its management colleagues. Below **Phil Ingle** explains just how widespread that lack of finance knowledge tends to be, and sets out 10 simple strategies for addressing the problem.

Picture the scene. It's a meeting of a business organisation and the finance director is called upon to brief the rest of the team on the latest financial information. With the presentation complete, he or she asks for questions. There are none, just the audience's palpable sense of relief that it can move on to the next topic.

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Why the lack of questions for the FD, let alone financial questions from the FD?

An article from *Harvard Business Review* gives a clue.[1] In a survey of over 300 US business people, a majority showed a woeful lack of financial knowledge. Over half could not define the difference between profit and cash. Many could not tell the difference between a profit and loss account and a balance sheet. Two thirds did not realise that discounts have a negative effect on gross margin.

The article concludes that in today's organisations, 'most people don't ask because they don't want to appear uninformed in front of their boss or peers.' Yet from the survey's own figures, most shouldn't worry – their bosses or peers probably don't know either.

The study's interesting evidence backs up our own feedback. Our development programmes often include a finance quiz used both to determine what existing level of knowledge our delegates arrive with, and also as an opening for explaining some of the financial terminology. And while the content of these quizzes is tailored to the audience – little point in asking service businesses about stock management – they produce

> 'Your mission is not just to help non-finance people to count, but also to help them understand the financial result of their input'

similar results, with marks routinely running at a barely 'passable' 50%.

Why is there a lack of financial knowledge outside the finance function?

Our experience suggests that three common perceptions about finance inhibit people from trying to understand and contribute to this aspect of their organisation's activities – namely: it's Dull, it's Difficult, and someone else Does it. We call these the Three Ds, and they are used by many as the excuse for leaving finance matters to 'finance people', on the grounds that finance is not interesting… and even if it was, it would be too difficult to understand.

Many in finance will have experienced pressure to just 'tell us the numbers and move on' – probably a prime example of deployment of the Three Ds.

However, it is possible to involve others in finance – by employing the following strategies.

1. Explain your choice of key performance indicators (KPIs)

Ensure others understand why the KPIs are relevant, not just what targets are to be achieved.

2. Listen!

Are others making excuses or coming up with reasons to ignore financial data? Are they covering up so as not to appear 'uninformed'? If so, then consider where their lack of understanding lies.

3. Find out if the problem is with words or figures

Is it a lack of understanding due to not knowing the terminology (say in a discussion about the 'bottom line') or a lack of numeracy (eg knowing how to make a figure into a percentage)? The former may require finance jargon to be explained and referenced to financial reports (one useful trick for familiarisation is to use a 'technical' term and immediately afterwards use a more accessible 'lay' explanation). The latter may need additional education or practice.

4. Define what people need to understand

Not everyone needs to be an FD, so what is the finance knowledge essential to their part of the business? This enables you to then proceed to…

5. Measure the gap

Once you know what standards are required, assess levels of knowledge to see what needs to be done. A test may be an effective way of doing this, but may not be popular – remember people don't want to appear uninformed. You can also ask people individually about financial performance, especially if they have their own teams, so you could ask them about team knowledge levels.

6. Work out how finance-savvy the CEO is

While reportedly more CEOs now come from an FD background, it is still a minority. The CEO's focus will permeate the rest of the organisation, so if they are not finance-knowledgeable – or even if they are – try to get their buy-in to better education on the subject within the organisation.

7. Be prepared to improve your knowledge of other (non-finance) areas of the business

Can finance reasonably ask someone to come to its world if it does not appreciate theirs – be it sales, marketing, HR, operations, or a specialist area?

8. Train people

There are many options available, including in-house training resources if you have them, open programmes and e-learning. Many trainers will tailor the training to your specific business, enabling learning to be more directly applied. Ensure the training engages people – finance is like learning to drive in that you will learn more by doing it than by reading about it.

9. Check out the balance of your balanced scorecard

Too much focus on primarily financial KPIs can be as unhelpful as not enough.

10. Consider your own personal development plan

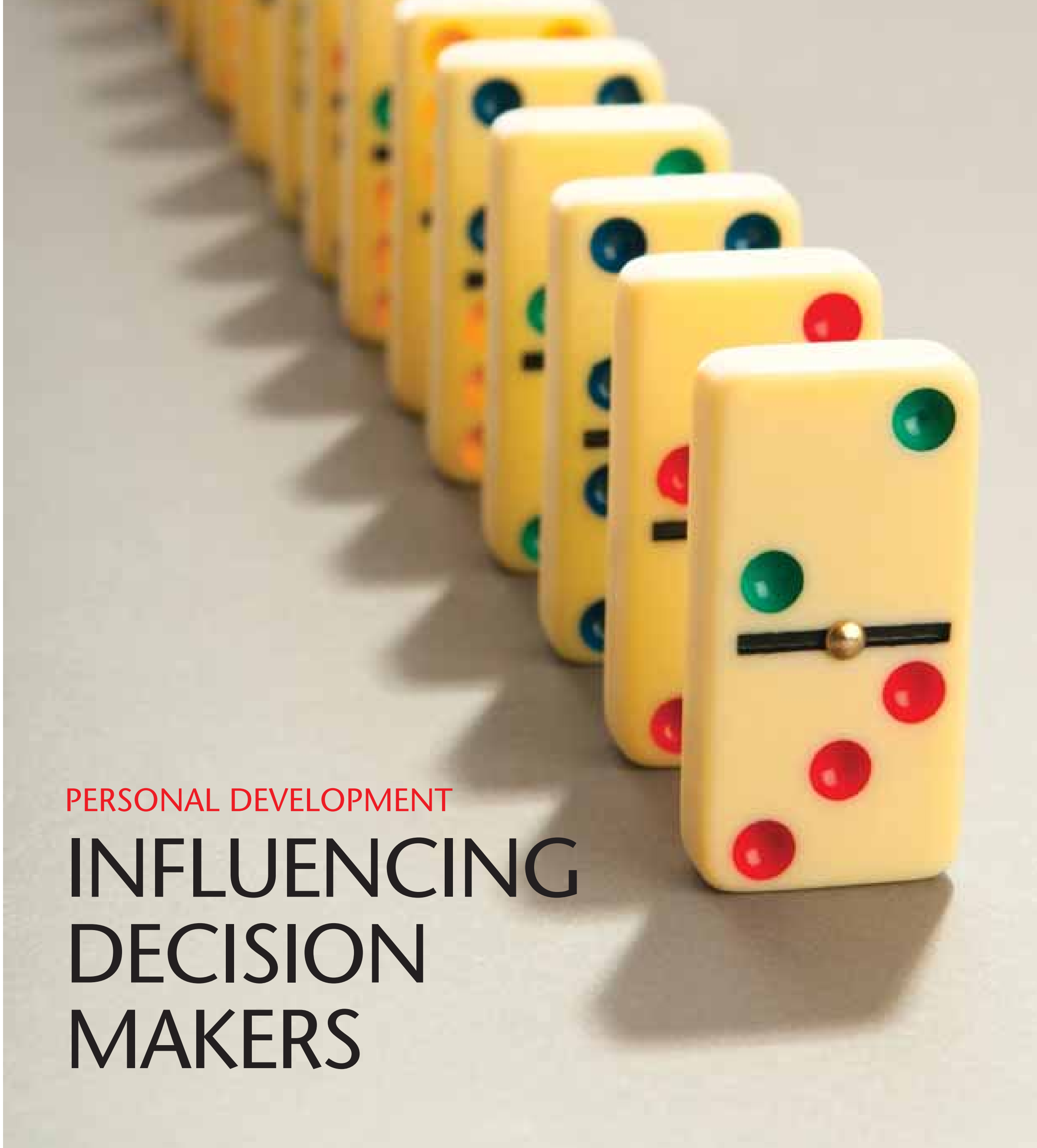
These plans are useful tools for managing development issues, so should yours include helping others develop their financial knowledge?

Conclusion

Remember that ancient accounting adage: there are three types of business person – those who can count, and those who cannot? Well modify that for your next management meeting… because your mission is not just to help the non-finance people to count, but also to help them understand the financial result of their own input, and help them realise how they can do better. This will also mean finance people have more questions asked of them – but wouldn't that be a welcome change?

REFERENCE

1. 'Are your people financially literate?', by K Berman and J Knight, *Harvard Business Review*, October 2009.



PERSONAL DEVELOPMENT

INFLUENCING DECISION MAKERS

How do you make your voice heard by those with sway in the workplace? In the latest in F&M's series on 'How to get better at …', **Jennifer MacKay** offers some techniques for influencing the decision makers.

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When influencing others 'downwards', age and experience are on our side – plus, if dealing with the under fives, we can always play the 'because I say so' card. Influencing 'upwards', however, is a different and more difficult game: one in which the deck seems to lack those all-important aces.

For finance people, influencing upwards is further complicated by their having (in this context) a dual role. Their role has them serving as business partners on the one hand, driving the organisation forward by feeding into strategy discussions and decision making. On the other, they act as the conscience of the business, pointing out risks and saying 'no'.

Yet the obstacles can be overcome. This article offers a

‘A good communicator knows what is important to the other person, and how to present the information’

simple two-step set approach for successfully influencing upwards.

Step one: planning your approach
When setting out to influence upwards, knowledge is definitely power. So it is important to:
- know your x factor;
- know your Goliath; and
- define the outcome.

What’s your x factor?
The very expression ‘influencing upwards’ implies the other person’s opinion carries more weight than yours. But don’t let that put you off. Instead, play to your inbuilt strengths.

Do an internal audit to discover whether your particular x factor is:
1. the ‘expert factor’ – as a finance person you may have information and skills that others don’t. If this sounds like you, remember to stress that you have what they need;
2. the ‘likeability factor’ – do you have an existing rapport or share mutual interests with the person you are influencing? If this sounds like you, capitalise on your commonalities and remember that being likeable can make the other party more open to hearing your point of view; or
3. the ‘track-record factor’ – have your suggestions proved profitable in the past? If this sounds like you, highlight your sensible judgement and reliability.

Once you’ve identified your x factor, use it to support your argument.

What type of Goliath?
You’re not the only one with an individual style. The person you seek to influence may be an obvious Goliath to your David, but you still need to analyse them more. A good communicator knows what is important to the other person, and how to present the information.

Decide which of the profiles below sounds like your Goliath – and adopt the suggested approach.

1. Probing
They love detail and ask loads of questions.

Approach: be well-prepared and back up your facts. Don’t be thrown by questions, as these can indicate interest just as frequently as dissent. Get them to commit on what they like, then work out where to go next.

2. Thoughtful
They may want to consider all the angles… in their own time.

Approach: don’t waste yours. Send information over in advance. Be clear about your own deadlines and know theirs. Getting something in writing may be faster than a face to face.

3. Negatron
They find few positives in what you have to say, poke holes in your argument and make counter suggestions. It may be that this person is plain pessimistic. It may also be that they are a talented problem solver who tends to put a negative slant on their words.

Approach: leverage their suggestions and incorporate them where you can.

4. Master
They can sit in silence for an eternity and don’t give much away.

Approach: don’t be tempted to fill the silence with gibberish or to climb down on what you want. Instead get comfortable with the silence and try asking them some direct questions.

Define the outcome
Having identified the cast of characters, you’re ready to define the outcome. Such planning is key, as it prepares us for possible outcomes and helps us stay focused when both stakes and stress levels run high.

So, on your own behalf, work out:
- what outcome you want;
- the advantages and disadvantages of your proposal;
- how your proposal fits the big picture, in terms of values and vision; and
- where you can be flexible – eg is there more than one way to achieve your goal? Can you delay implementing a new strategy or can it be piloted in one part of the business?

And for the other party, try to discern:
- what is important to them;
- the best way to present the information;
- what makes this proposal good for them; and
- how they like to make decisions.

Step two: the conversation
You’ve planned out what you want to say and it’s time to influence. Influencing conversations can be intense. To help yours succeed, let’s examine:
- why they go wrong; and
- how you can keep them on track.

Why things go wrong
Have you ever noticed that we can become preoccupied with getting our point across when we are trying to influence others?

Two damaging things tend to result. Firstly, we become distanced from the person we want to influence, because our energy goes into being right and pushing our point (and the other person also starts to dig in their heels).

Secondly, we stop really hearing the other person. When they speak we stop listening and start planning what we will say next. We reach what is effectively a stalemate with each repeating their points over and over.

The desire to be right – or at least heard – overshadows the effort to find a solution workable for all.

Keeping your influencing conversation on track

For a more constructive approach to influencing upwards, see the tips in the box, right, 'Tips for keeping your conversation on track'.

Conclusion

While at times influencing upwards may feel like an uphill battle, we have a responsibility to support others to make robust decisions. Getting better at influencing upwards also helps us improve how we perform our own job. And if you follow the tips, your Goliath might just be more amenable than you think.

TIPS FOR KEEPING YOUR CONVERSATION ON TRACK

1. **Structure your argument with the three Ps:**
   - Point: make your point.
   - Proof: provide proof to back it up.
   - Profit: spell out how your point will profit the other person.

2. **Manage the 'no' word**
   Saying no and sticking to it can be tough when influencing Goliaths.
   - If someone is trying to distract you from your target, use a 'bridging' technique to bring the conversation back, eg 'that's an interesting point, but today we are looking at this'.
   - If someone insists on asking you the same question over and over, use simple repetition, eg 'as I mentioned earlier, if we go ahead with x, y will happen'.
   - If conversation is getting heated, keep sentences short and stick to the facts, eg 'our agreed budget doesn't allow for this'.

3. **Develop delivery skills**
   What we say needs to be matched by how we say it. Your message may be 'this decision is right for the business', but a wavering voice can convey 'I am not in control'. To look the part:
   - maintain steady eye contact;
   - speak slowly in a calm well-paced voice;
   - don't fidget; and
   - befriend the pause – say what you want or ask a question… and then stop speaking.

4. **Be flexible**
   Knowing what you ultimately want is important, but so is flexibility in getting it. Be prepared to entertain other options. If the other side feels browbeaten into agreeing, chances are the agreement won't last.

5. **Ask more questions**
   Some people think that asking questions signifies you have lost control. But influencing isn't just about sending out information and persuading people; it is an opportunity for learning, problem solving and developing a deeper understanding of issues too. So ask:
   - 'what would you like to see happen?';
   - 'I know x is important to you. If we do y, will that satisfy x?'; or
   - 'if your revenue is one third of what you are forecasting, will this still work?'

   Thoughtful questions are also less likely to put people on the defensive. They open up the conversation and give you more information, so you can tailor your offer.

6. **Be empathetic**
   While we may have opposing views, it doesn't mean we can't empathise. Build rapport and trust with language like:
   - 'I understand your concerns';
   - 'I see what you mean'; and
   - 'I know this isn't ideal.'

7. **Agree action points**
   Once you have confirmed an approach, agree the action points. Respond to yours quickly.

PERSONAL DEVELOPMENT

A GIRL'S GUIDE: FIVE STEPS TO THE TOP

Plans for compulsory gender quotas on boards have recently been scrapped.* So women with boardroom ambitions will still be largely reliant on their own efforts to get there. **Peninah Thomson** provides advice on self-advancement in any sphere.

Do you want to get to the top, but don't quite know how – and maybe don't yet feel 'prepared' for it? (Certainly many companies say that they want to promote women to the board… but female applicants are as rare as hens' teeth.) Or maybe 'the top' is something different altogether for you?

The following five steps won't guarantee that you will reach the top. But taking them will:

- help you become – and stay – clear about what you're doing, and why;
- prompt you to take sustained action; and
- keep you focused.

And acting on step five will take you into new, and potentially enriching, territory. Good luck!

Step 1: Clarify your intent and purpose

The first question anyone intent on the top needs to answer is precisely what, for them, constitutes 'the top'? Is it more money? Greater responsibility? A different challenge? Leadership? To play upon a bigger stage? Forming an idea of your core purpose is critical, because a view of what you seek – however sketchy – is the first stage in achieving it. Without that view, even the best of us risks careening off into unfocused activity which will ultimately prove futile.

Step 2: Identify what you need

The next step is to decide what's needed to help you achieve your particular goal. I call this 'identifying the buckets', because there are often several groups of things that are needed for you to progress. You might need to acquire a specific qualification, or to go on a course, or a secondment. You might lack contacts and connections, or have little visibility in the area you want to progress in. You may feel your social skills don't match your technical ability. You may need to take an overseas assignment, or to have led a particular project. Or – on a slightly less serious note – you might feel your entire wardrobe screams '2008' and would benefit from some restyling!

Step 3: Devise a plan to acquire what you need and implement it

Once you have identified the 'buckets', you can set about filling them. Here again, having a road map for action pays dividends. You don't have the time to embark upon a series of unconnected courses; meetings; networking events. If you do, you risk being overstretched, and – worse – not making much progress toward your goal. In my work as an advisor I've sometimes found myself suggesting to a senior woman executive that she write 'FOCUS!' in lipstick on her bathroom mirror.

Step 4: Monitor your progress and re-calibrate your plan as required

Your personal road map should be a living document. Glancing at it, and updating it, on a regular basis will ensure you don't lose sight of your intentions, and will provide a yardstick against which you can evaluate your activity. For example if a particular 'event' will help you take a step on your chosen path – because of its content, or the people you'll meet – excellent. If it won't, then substitute something else. And this takes me to the final, vital step…

Step 5: Take some risks

'If you do what you've always done, you'll get what you always got' certainly applies here. For you to make real progress in your professional life and fulfill your optimal potential, you have to take some risks. This step may be particularly challenging for women – who tend to be more risk-averse than men. But the challenge has to be addressed. I sometimes suggest that an aspirational woman makes a short list of five actions (separate from those related to 'filling the buckets'), each of which represents something new, different and surprising, that she could take to further her path to her goal. Women (and men) respond with real imagination to this step – indeed the question itself is quite liberating!

* In September 2011 home secretary Theresa May ditched Labour's plans for a move towards compulsory gender quotas in the boardroom.

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BRIEFING


TECHNICAL UPDATES

FINANCIAL REPORTING

SPOTLIGHT TURNED ON RELATED PARTY DISCLOSURES

There are several new requirements coming in for 2011 year ends but many of these revolve around fairly specialised areas such as financial instruments and defined benefit plans. However the amendments to IAS 24 *Related Party Disclosures*, or FRS 8 for those reporting under UK GAAP, will need to be considered by all and it may well be the case that related party disclosures will not be the same as last year.

The definition of a related party has been simplified, removing certain inconsistencies, and reducing disclosure requirements for government-related entities.

The revised definition is in some respects broader than the previous IAS 24/FRS 8; for example, it explicitly includes as related parties of each other:

- two joint ventures of the same third party; and
- a joint venture and an associate of the same third party (but not two associates).

In limited cases, the new definition of related parties is narrower, meaning that less will be disclosed.

The definition of close family has been reworded so that the definition includes, but is not limited to, the person's spouse or domestic partner, and children (including adult) and dependants of the person, their spouse or domestic partner. The more general aspect remains ie, that close family includes those family members who may be expected to influence, or be influenced by, that person.

Explicit reference is now made in the scope of the standard that it applies to commitments between an entity and its related parties, as well as to transactions and outstanding balances.

The Financial Reporting Faculty is hosting a webinar on 26th January 2012 on the disclosure of directors' loans and related party transactions. The faculty has also published two factsheets which cover the new requirements. See icaew.com/frf

GOING CONCERN CONTINUED

The Sharman Panel of Inquiry was launched in March 2011 to draw on the experience of companies and auditors who have had to address going concern and liquidity issues in times of difficulty, including during the credit crisis. The panel has now published its preliminary report and recommendations.

The panel's key recommendations include:

- harmonise and clarify the common purpose of the going concern assessment and disclosure process in the accounting standards and code;
- require the going concern assessment process to focus on solvency risks as well as liquidity risks, whatever the business; and
- move away from a model where the company only highlights going concern risks when there are significant doubts about the entity's survival, to one which integrates the directors' going concern reporting with the directors' discussion of strategy and principal risks.

Comments were due by 31 December 2011.

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By **Marianne Mau**, Financial Reporting Faculty, ICAEW (marianne.mau@icaew.com) and other sources.

AMENDMENT TO IFRS 1

The International Accounting Standards Board (IASB) has published a proposed amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The proposed amendment sets out how a first-time adopter would account for a government loan with a below-market rate of interest when they transition to IFRSs. Comments are due by 5 January 2012.

REVENUE RECOGNITION

The IASB has published a revised exposure draft (ED) which aims to improve the accounting of revenue from contracts with customers. The core principle of this revised proposed standard is the same as that of the IASB's June 2010 ED, ie that an entity should recognise revenue from contracts with customers when it transfers promised goods or services to the customer and that the amount of revenue recognised should be the amount of consideration promised by the customer in exchange for the transferred goods or services. The revised ED attempts to simplify some of the original proposals and provide more guidance. Comments are due by 13 March 2012.

THE CHANCELLOR'S AUTUMN STATEMENT: KEY POINTS

Key business tax points from the autumn statement were:

- following consultations over the summer, draft clauses on the Controlled Foreign Companies (CFC) and Patent Box proposals have been published;
- 100% capital allowances are to be introduced for expenditure incurred in a number of enterprise zones between April 2012 and March 2017;
- an 'above the line' R&D tax credit will be introduced in 2013 for larger companies. A consultation will follow the 2012 Budget;
- the Bank Levy rate is increased to 0.088% from 1 January 2012; and
- a new Seed Enterprise Investment Scheme (SEIS) will be introduced from April 2012 – see below.

Draft clauses for the Finance Bill 2012 were published on 6 December and will be open for consultation until 10 February 2012.

The clauses will then appear in the Finance Bill 2012 to be published in spring 2012 shortly after the Budget.

For further details, see www.ion.icaew.com/TaxFaculty/23518

MODERNISING THE PERSONAL TAX SYSTEM

The government has opened a consultation on 'Tax transparency for individuals', which seeks views on how to make it easier for people to understand their tax.

The consultation was launched on 14 November 2011 and the deadline for responses is 24 February 2012.

Key proposals are:

- individuals should have their own online tax account, as taxpayers often have little idea what the tax and NICs entries on their payslips mean or whether they are right;
- PAYE taxpayers could also be sent an annual statement of their income and tax;
- for those taxpayers in self assessment, forms could be pre-populated with information that HMRC already holds; and
- the government wants to provide better education and support, to raise people's awareness of how the tax system works and what their responsibilities are.

For more see www.ion.icaew.com/TaxFaculty/23473

ENTERPRISE INVESTMENT SCHEME INTRODUCED

The new Seed Enterprise Investment Scheme (SEIS) will be introduced from April 2012 offering 50% income tax relief on investments for individuals who invest in shares in qualifying companies, with an annual investment limit for individuals of £100,000 and cumulative investment limit for companies of £150,000. SEIS will also offer a capital gains tax exemption on gains realised in 2012/13 and then invested through SEIS in the same year.

In addition, the government will simplify the Enterprise Investment Scheme by relaxing the connected person rules and the definition of shares that qualify for relief. It will also tighten the focus of the schemes by introducing a new test to exclude companies set up for the purpose of accessing relief, exclude acquisition of shares in another company and exclude investment in Feed-in-Tariffs businesses.

In addition to reducing the administrative burdens that are carried by Venture Capital Trust schemes, the government will remove the £1m investment limit per company.

UPDATE

By **Frank Haskew**, head of the ICAEW Tax Faculty, based on the faculty's weekly newswire. To subscribe (free) to the newswire, visit icaew.com/taxfac and click on 'free weekly newswire'.

GAAR FINDINGS PUBLISHED

The final report of the General Anti Avoidance Rule (GAAR) study group has been published, and concludes that a moderate GAAR which does not apply to responsible tax planning, and is instead targeted at abusive arrangements, would be beneficial for the UK tax system. The report was equally clear that a broad spectrum anti-avoidance rule would not be beneficial to the UK tax system. The report can be downloaded from www.hm-treasury.gov.uk/d/gaar_final_report_111111.PDF

CODING OUT UNDERPAYMENTS

Agents will be aware that the maximum amount upper limit for coding out tax underpayments via PAYE has been increased from £2,000 to £3,000. HMRC has provided some guidance on how this will work in practice. The limit was increased by regulations which took effect from 20 July 2011 allowing HMRC to collect up to £3,000 of tax owed through the taxpayer's PAYE code. See www.ion.icaew.com/TaxFaculty/23414

P11D PENALTY NOTICES

From 14 November 2011 HMRC started sending out penalty notices where its records show that employers have not submitted their 2010/11 forms P11D(b). The penalty will be £100 per 50 employees for each month the return is outstanding, from 7 July 2011 to 6 November 2011. For further information, see www.ion.icaew.com/TaxFaculty/23416

EMPLOYMENT LAW

EMPLOYMENT LAW REFORMS: APRIL 2012 PLANS CONFIRMED

The last month has seen a raft of government proposals for changes to employment laws. Those due to come into effect in April 2012 include:

- the qualifying period for unfair dismissal is to increase from one year to two years. The BIS response alludes to the issue of whether this change could be challenged as discriminatory (eg, on grounds of sex or age). It states that there will be a degree of disparate impact on different groups but this will not be 'considerable'. In any event, it considers that the change will be justified as a proportionate means of achieving a legitimate aim (of improving business confidence to recruit and retain staff). It remains to be seen whether BIS has sufficient evidence to support this claim;
- the maximum deposit order a tribunal can make if a party wishes to proceed with a weak case is to increase from £500 to £1,000;
- the maximum costs that can be awarded by a tribunal without detailed assessment is to increase from £10,000 to £20,000;
- witness statements are to be taken as read unless the tribunal judge directs otherwise;
- witness expenses will no longer be state-funded. The tribunal will have the power to direct parties to pay witness costs and order the losing party to reimburse the successful party for these costs; and
- unfair dismissal cases and all Employment Appeal Tribunal (EAT) appeals are to be heard by judge alone unless the judge directs that lay members should also sit.

For more information on these and other proposals visit www.bis.gov.uk

GOVERNMENT CALLS FOR VIEWS AND EVIDENCE

The government is seeking views on the following reforms:

- 'compensated no-fault dismissals' for micro-employers (with 10 or fewer employees); and
- slimming down dismissal processes, including changes to the Acas Code of Practice on Disciplinary and Grievance Procedures.

It has also issued documents calling for evidence by 31 January 2012 on:

- the effectiveness of TUPE and in particular the provisions covering service provision change, post-transfer harmonisation, transfers from insolvent companies, and the relationship between TUPE consultation obligations and collective redundancy consultation; and
- collective redundancy consultation, including whether a statutory definition of 'establishment' would be helpful and whether the minimum period for consultation where 100 or more dismissals are proposed should be reduced from 90 days.

STATUTORY HOLIDAY

The European Court of Justice (ECJ) has confirmed that member states can lawfully require carried over statutory holiday to be taken within the following 15 months or else be extinguished, agreeing with the opinion of its advocate-general issued in the summer (*KHS v Schulte, ECJ*).

Meanwhile, the EAT continues to issue conflicting rulings on whether an employee is only entitled to statutory holiday pay if they take holiday or give notice that they wish to do so. The answer was 'yes' in NHS *Leeds v Larner* and 'no' in the recent case of Fraser v SW London St George's Mental Health Trust.

Hopefully the Court of Appeal will clarify the position when it hears Larner in March 2012.

UPDATE

This section is extracted, with kind permission, from the monthly bulletin produced by the law firm Herbert Smith LLP. For further information about these issues, contact anna.henderson@herbertsmith.com or visit www.herbertsmith.com. The content of this section does not represent legal advice and should not be relied on as such.

LEGISLATION UNDER REVIEW

Mr Justice Underhill is to lead a fundamental review of the employment tribunal rules of procedure, with the aim of producing revised rules by the end of April 2012. The government also intends to consult on tribunal fees and on allowing employers to have 'protected conversations', among other proposals. For further information see www.bis.gov.uk

EQUAL PAY

A Court of Appeal ruling means that employers may face equal pay claims brought in the High Court as a breach of contract claim even though a tribunal claim would be out of time. Equal pay claims can be brought either in the employment tribunal (subject to a six month time limit) or as a contract claim in the courts (where the time limit is six years). The Court of Appeal has upheld a High Court decision that claimants who fail to present a tribunal claim for equal pay within the time limit can bring a claim in the High Court. The Court's discretion to strike out an equal pay claim where it could be more conveniently disposed of in the employment tribunal should not be exercised where the tribunal claim would be out of time. (*Birmingham City Council v Abdulla, CA*)

MANAGEMENT EXTRA

A monthly review of current thinking in the key areas of strategy, human resources, marketing and finance.

FINANCE

IS BEST PRACTICE WISHFUL THINKING?

Forget silver bullets and focus on a finance framework that delivers for you, says a new ICAEW report by **Rick Payne** and **Philip Smith**. Richard Young explains.*

First the bad news. Finance directors (FDs) and CFOs hoping that the latest whizz-bang technology or management consultant's wheeze will transform their finance function overnight can forget it. In the words of a new ICAEW report, 'The Finance Function: A Framework For Analysis': 'Sometimes they help and sometimes they don't.'

After looking at dozens of surveys and hundreds of academic articles on what makes an effective finance function, the report's authors have concluded there is no such thing as best practice. 'The core message is simple: there is no perfect answer,' says Dr Philip Smith, himself a former FD and MD and now a turnaround specialist. 'A lot of people will claim there is best practice in finance, but the truth is there is no one-size-fits-all approach.

'It depends on the skills of the management implementing it – and it has to be adapted or even thrown away as the world changes around it.'

The good news? After undertaking all that analysis, Smith and his co-author Rick Payne (respectively a faculty committee member and its technical manager with responsibility for the FinanceDirection programme), have come up with a different way of approaching the issue. It's a way of framing the discussion around what your finance function does, how and why, in a way that eschews 'best practice' and focuses instead on what your organisation really needs.

'Given the variety of recommendations we unearthed, it occurred to us that a framework was a better option,' says Payne. 'It meant we could design something that would adapt to future changes in the way people do business. Managers and advisors can use it to guide their thinking or discussions on how their finance function is doing and how it needs to develop. And it meant we wouldn't just be issuing yet another survey on the role of the finance function!'

Not just another survey

That's an important point. There seems to be a never-ending stream of papers, articles and products designed to tackle 'the changing face of finance'. But over the years, a lot has stayed the same. 'The first thing we noticed was that the idea of business partnering, for example, really isn't that new,' says Payne. 'We found commentary on finance working more closely with operating units from reports in 1963 – and even in 1928, there were references to it.'

He points to IBM's biennial survey of CFOs that has data on the time spent on transaction processing, control and decision support from the past eight years. It suggests the balance hasn't changed all that much since 2003, despite some major shifts in technology, accelerating globalisation and a meltdown in banking. Why?

'Automating processes is one thing,' says Payne. 'But it would seem that cost savings are taking priority over staff redeployment so that finance can provide higher-level decision support and more sophisticated analysis.' In many cases, finance function structures haven't adapted and achieved an appropriate balance in their activities.

External drivers are also a key part of the new framework. Rather than try to set out an ideal finance function – which could be rendered obsolete by a shift in technology, a change in regulations or a shift in business model – the framework suggests CFOs and their teams evolve their function to adapt to these forces.

Within the finance function, it's a similar story. The way monthly ledgers are prepared has changed radically. But the need for the finance function to monitor and report on financial performance has not. 'The idea is that you could go back to the 1950s, when some of the earliest work we've collated was written, and find the same activities and interactions between different aspects of the finance function,' says Payne. So there is a foundation which means finance leaders in different sectors, countries and sizes of business will be able to use the model to design their own function.

Adaptable and appropriate

'Depending on sector and context, differing organisations will have differing management and planning horizons,' says Smith. 'For Rolls Royce, you might assume, the financial horizon of a project like a new engine will be over years or even decades. By comparison, a retailer will tend to have a much shorter financial horizon – with next week's sales of key importance.'

Ultimately, accounting is an articulation of the financial consequences of operational activities, he adds, so it has to be tailored. 'The danger for the finance

Rick Payne leads the faculty's FinanceDirection programme.

Dr Philip Smith is a member of the finance and management faculty committee. He specialises in improving financial management systems.

* This article first appeared in the September 2011 edition of *accountancy* magazine.

'The idea is to map your own finance activities and business model on to the framework to arrive at the most suitable way of implementing them for your organisation'

function is looking at the numbers detached from what's actually happening.'

So the framework emphasises explicit analysis of the interrelationships between the business and finance; and between the different parts of the finance function. 'The boxes all have to be in balance,' says Smith. 'If one part changes, you have to look at how the others need to be reconfigured.'

These connections fall into two categories, information and influence, which also highlights the fact that not every scrap of data generated by the function is necessarily helping the business. If there's too much data flowing out of one part of the function – compliance, for example – it runs the risk of swamping the attention of the management and control function. That, in turn, unbalances the business because it has its own influences over operational decisions.

Putting it into practice

Because the framework is not itself revolutionary – merely an attempt to distil a context for an effective finance function – it's not uncommon to see the principles it espouses in many organisations already.

A great example is Pitney Bowes. Helen Jesson, its recent past VP and group financial officer for Europe (now senior VP and CFO EMEA and Asia Pacific for leading pallet and container pooling group CHEP) took part in the launch of the programme back in April – she's a former chair of the Finance & Management Faculty – and says she'd already been through this process in all but name back in 2009.

'We redesigned the finance function, in part because it was getting increasingly frustrating for me to manage the balance sheet,' she recalls. 'Every time something surprising cropped up, there would be three or four people involved and it was impossible to get proper answers and quick resolutions.'

In other words, the interrelationships had become faulty, and there was insufficient accountability within the function's different activities. Add in a need to reshape the function to meet a new group structure – keeping it aligned with the business, a core tenet of the framework – there was ample reason to undertake a redesign.

'We split the teams between the people handling the historic stuff from those looking to drive future results,' Jesson explains. The back office functions were centralised, increasing efficiency. Those aspects of the framework can still evolve – but it's much easier to manage their skills, influence and deliverables as a single unit. And their outputs – the framework's interrelationships – are stable for every other part of the finance function.

'Then the forward-looking group, broadly decision support, were distributed around the business units, where they could be most responsive and effective,' adds Jesson.

The project, she admits, was 'substantial'. But the result is a finance function that's efficient, well matched to the new global structure and flexible enough to evolve with both local and global changes. It's been so successful, the design was also implemented in the US finance function.

Where next?

The framework is an evolving concept. So the faculty is keen to hear additional input on the factors it picks up, how they might be treated by CFOs in the field and where the project might go next. 'Examining what "successful" finance functions look like in different contexts is probably the next step,' says Payne. 'The framework provides an excellent way of structuring such analysis.'

And it's worth remembering that not every activity – and certainly not every driver – sits exclusively within the finance function. In many businesses, taking a holistic view is going to mean bringing in other departments, too.

'The point of the framework is to make people ask questions,' says Smith.

'When you're looking at your finance function, especially when you're changing it, you can refer to the framework and say, "hang on – there's a mismatch here". It's about keeping it all balanced. It's no good having a world-class accounting function and a perfect record on compliance if finance is completely disconnected from the business.'

That's something Jesson endorses. 'You have to adapt to the way the rest of the organisation works,' she says. 'If there's a strong culture of strategic thinking, it's not that critical for the finance function. But if no one else is planning three to five years out, maybe your team needs to up its game in that part of the framework.'

And, Payne stresses, this isn't about doing more or getting bogged down in ticking boxes. 'The key is to look at the whole picture – even if you then decide you can de-prioritise certain areas based on your particular situation,' he says. 'The finance function can't do everything. It can't be all things to all people at all times. And the CFO is not a superhuman.'

How the framework comes together

There are three core elements to the framework for the effective finance function – activities, interrelationships and drivers (see Figure 1, opposite). The idea is to map your own finance activities and your own business model more broadly, on to the different parts of the framework to arrive at the most suitable way of implementing them for your own organisation.

First are the finance activities themselves. These are familiar to any accountant and must be clearly aligned

'"While the framework itself is a constant, how the activities within it are implemented will change over time"'

to operational activities outside finance. So under management and control, for example, you include the processes for generating financial and non-financial information; internal audit; and applications – like cash management and investment appraisal.

Second, there are the interrelationships between these activities. Sometimes that's a one-way flow of information or influence; but in most cases, there's a free exchange between activities which, if ignored or undermined, can threaten the ability of the finance function to operate effectively.

Finally, there is a series of drivers – factors that will help determine the design of both the activities and the relationships. For example, with private equity ownership, cash flow generation and debt management become more significant, and that's going to change both the information flows and need for finance to influence operational behaviours. Equally, a change in regulation is going to mean the finance function has to shift its monitoring and reporting capability.

None of the elements works in isolation – indeed, the point of the framework is to ensure that none of them is treated out of balance with the others. And every organisation will have its own pressure points and need to emphasise different areas depending on sector, locations, size, ownership structure and so on.

'The point is to create a link between financial performance and organisational activities,' says Smith. 'You'll only get the outcomes you want if it's working well. You have to design your own processes within the context of the framework, processes that map on to your business.'

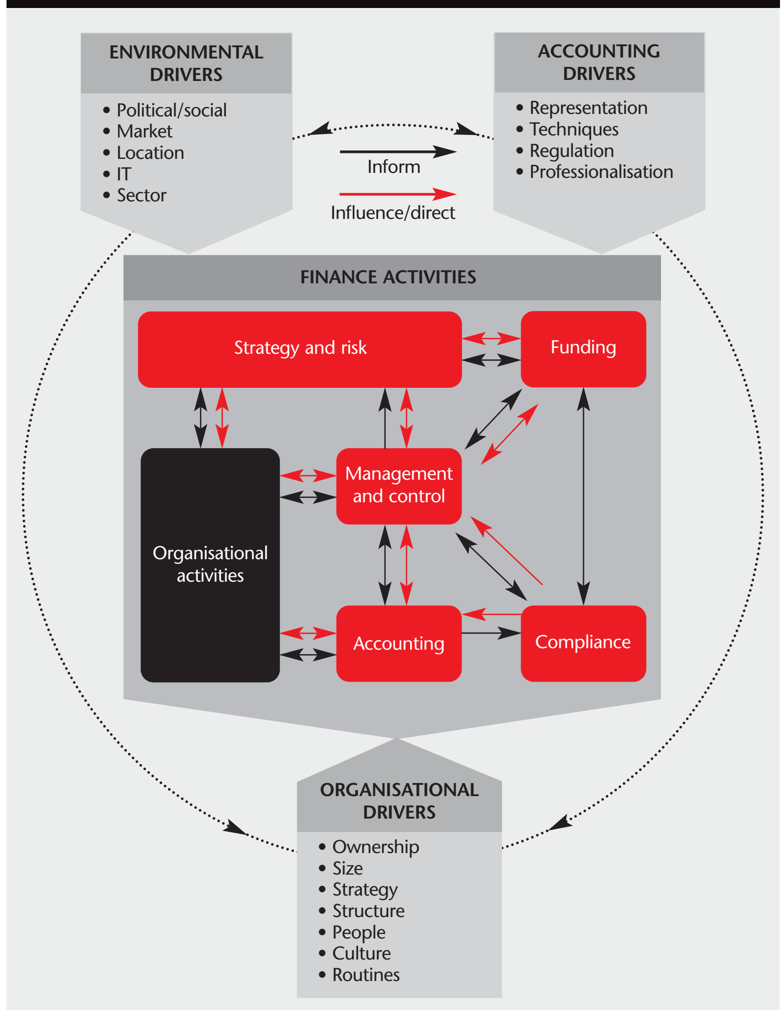
'The key thing is the interrelationships,' he continues. 'Each part of the finance function impacts every other part. While the framework itself is a constant, how the activities within it are implemented will change over time.

'That's why it's so important that the people overseeing it understand how they're working,' Smith concludes.

'That doesn't mean they need to be deep functional experts. But they need to know what questions to ask and how to ensure that the activities in any given box don't create problems elsewhere in the business or the function.'

'The Finance Function: A Framework For Analysis' forms part of ICAEW's Finance and Management Faculty thought leadership programme, FinanceDirection. Copies of the report can be obtained by emailing rick.payne@icaew.com

Figure 1 THE FINANCE FRAMEWORK



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