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# PUTTING TECH TO WORK

Aligning with the future of business

8

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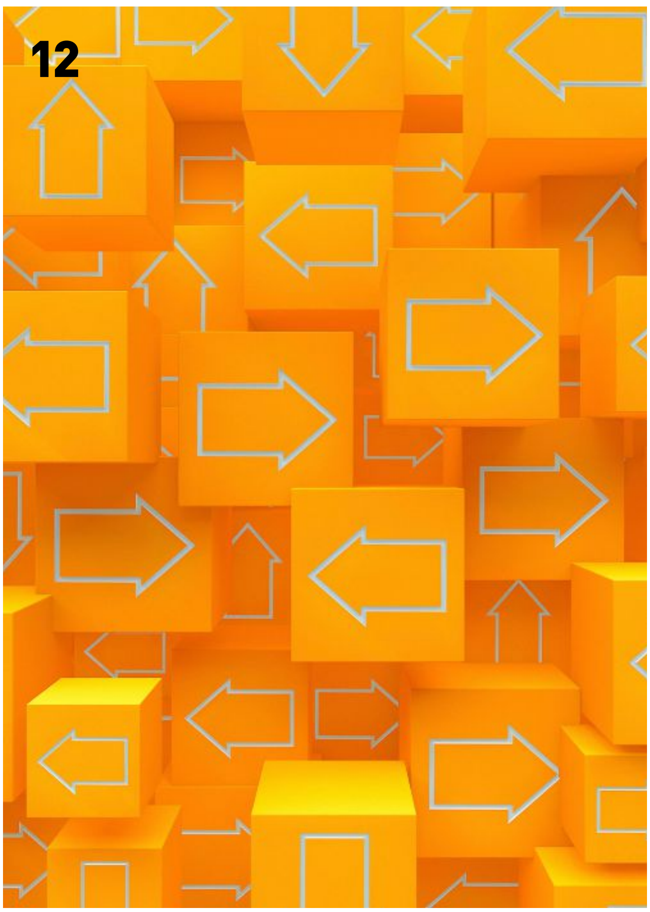






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# Integrity is the future

**'Business leaders look to us for our data-based insights which help fuel strategic decision-making.'**

As I write to you my final column as CIMA president, we have seen that growth ambitions within our businesses are high, and stakeholder expectations — of investors, customers, and employees — are even higher as we continue to emerge from this pandemic. The years ahead will be driven by a mindset of stewardship and sustainability that prioritise the needs of all stakeholders while accelerating innovation to create lasting businesses and positive societal values.

As stakeholders shift to considering more than just financials, finance's role is evolving as well, as we find ourselves now creators and caretakers of organisational value. Today's finance professional is now responsible for protecting the organisation and its assets, and creating value for stakeholders. This new definition of business integrity is more holistic and looks at all aspects of business.

With this ever-changing environment as well as mindset shift, stakeholders have seen how profit and reputation are now more closely intertwined. Behaviour and influence have earned seats at the table next to innovation and agility — all critical determinants of trust and success in the post-pandemic era.

As trusted advisers of businesses, government, and purpose-driven organisations, our profession drives productivity, leverages technology solutions, evolves business models, and enhances opportunities for sustainable, long-term growth and prosperity.

We embraced all of these characteristics at the beginning of the pandemic when we were all forced to pivot, reprioritise, and adapt quickly with rapid workplace and lifestyle changes. Now, two years on and planning for a post-pandemic landscape, many of these adaptations are here to stay.

Major changes came in the form of new technologies. Finance is at the forefront of organisational and digital transformations, where we are using data analytics to digest large sets of data, including the nontraditional metrics that demonstrate an organisation's value to its external environment. We must continue to seize these opportunities because we are bold enough to change, lead, and adapt.

The challenges of the last few years have elevated the role and insights of the finance function. Organisations came to rely on finance professionals to guide them through. Technologies we predicted to become mainstream within years did so within months. Artificial intelligence, software developments, machine learning, and so much more have enabled faster data processing, more accurate forecasting, and the ability to work from anywhere.

This new approach to business integrity, and the rising importance of finance, will bring in new generations of accounting and finance professionals because we are purpose-led and are tapping into the values that the next generation craves. It also helps that the role of the accounting and finance professional is even more integral and at the core of driving sustainable economic growth and prosperity.

As management accountants, we can help build trust, integrity, and purpose.

Business leaders look to us for our data-based insights, which help fuel strategic decision-making. We know that with our counsel, scenario-planning, and analytical skillsets businesses will be successful.

As management accountants, we know how the aspects of a business fit together and how internal systems function. It is more than seeing where risks can be mitigated, but also seeing where opportunities can be explored.

We dared together this year and need to be even more daring in the future. I am in awe of the incredible work I have witnessed from our profession over the past two years. I am honoured and humbled by the grit and determination of our profession. It has been my pleasure to work for you as your president and Association chair. Thank you for your support and the opportunities we have had to dare together. I have no doubt that our profession will remain at the heart of all businesses, remain a most valued partner for all those we serve, and continue to represent what we have always stood for — "Honesty, Accuracy, and Justice".

**KEEP IN TOUCH**
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# Fostering trust and growth through times of uncertainty

By Andrew Harding, FCMA, CGMA

In today's world, the only certainty is uncertainty. In all areas — health, societal, geopolitical, and economic — uncertainty casts a large shadow as our COVID-weary profession now grapples with the fallout from a global crisis in the form of war in Ukraine disrupting businesses and communities. And, to date, there has been no sign of the hoped-for return to what many saw as normality.

It is the core of our management accounting profession to strive to provide certainty, our strength that pushes us and the organisations we work for forward through upheaval. Just as we have done during the pandemic, we will do again to address these new challenges.

If we have learned anything from the past two years, it is that uncertainty drives resilience and progressive change. The rapid work and lifestyle transitions made at the start of the pandemic may not change back. And that is not necessarily bad, as new priorities are in play for businesses and stakeholders alike.

Profit and reputation have become ever more closely intertwined as stakeholders look to focus beyond the financials. Those stakeholders include customers, suppliers, the communities in which we operate, the governments hosting our businesses, and our people.

To thrive, organisations will need to evolve their business models and combine bold innovation with unwavering integrity. They are choosing progress over perfection to create and seize new opportunities. They do, however, need to maximise transparency at all levels of their organisations to build trust with all stakeholders. This requires creating and preserving value by looking beyond the financials.

Corporate integrity has become a valuable commodity. As profit and reputation are entangled, we, as management accountants, must factor in both financial and nonfinancial drivers when assessing business performance.

As professionals, we are responsible for guiding our organisations by embracing rather than rejecting this new environment. We must make the case for creating long-term value by prioritising sustainable practices. This can cover the waterfront from human capital decisions through to operational impact on the community. As a profession, we are here to both guide and lead businesses as they develop and deliver their environmental, social, and corporate governance (ESG) commitments.

By using our leverage as trusted advisers, we are and will continue to be positioned to drive productivity, implement technology solutions, diversify business models, and enhance opportunities for sustainable, long-term growth.

As always, the Association is here to support you and your organisation through this new paradigm and ongoing geopolitical and economic uncertainty. We remain committed to helping you foster a high-trust environment and support you in your efforts to encourage growth without sacrificing ethics, integrity, or commitments to sustainability.

To find resources on how we are addressing the challenges of sustainability, please explore our Sustainability and Business series, and for dealing with the uncertainty caused by the war in Ukraine, visit the dedicated resource centre we have set up to provide information to help the profession, businesses, members, and students.

*Andrew Harding, FCMA, CGMA, is chief executive–Management Accounting at the Association of International Certified Professional Accountants, representing AICPA & CIMA.*

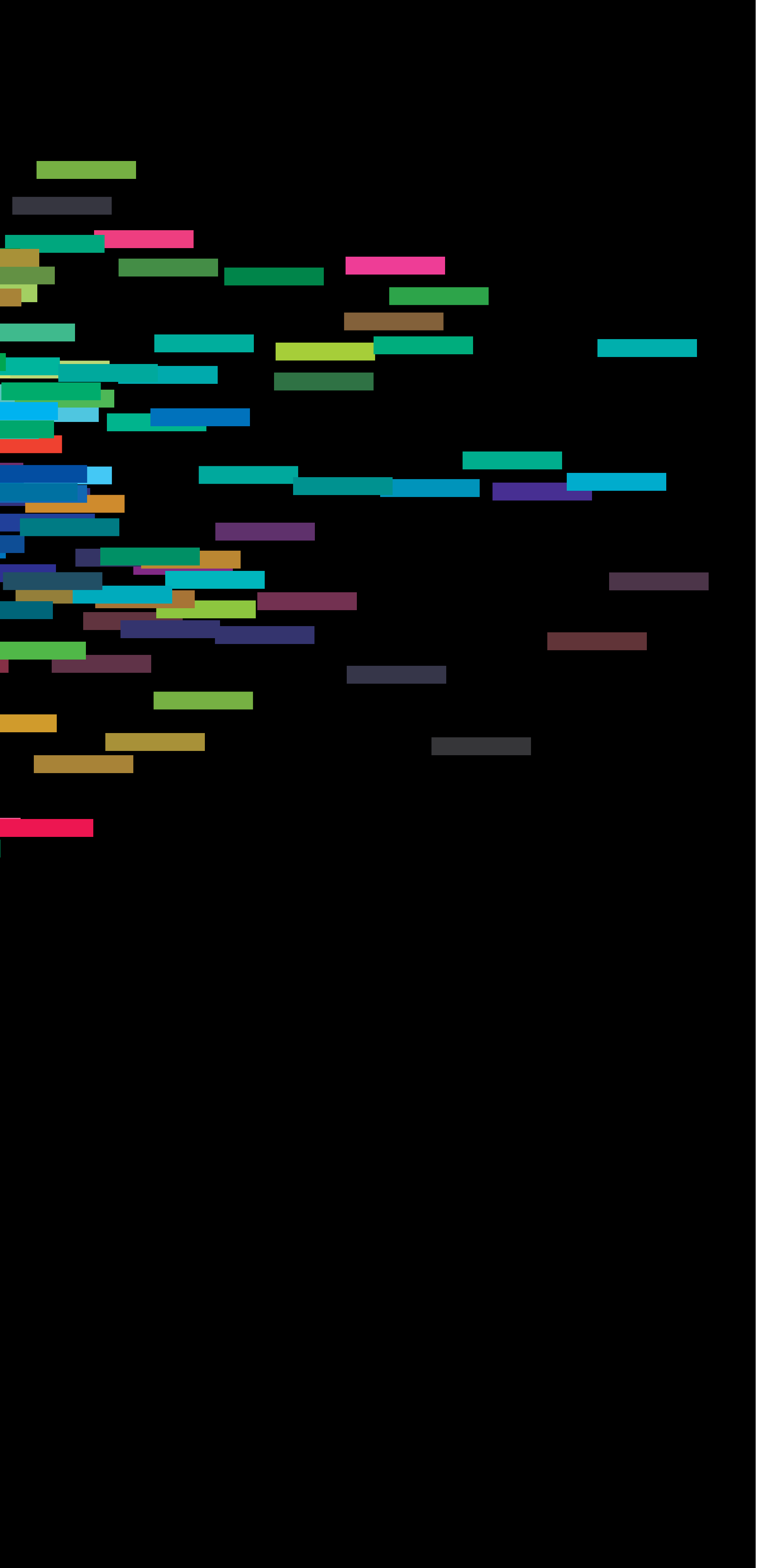
PHOTO BY STEVE FORREST/STEVE FORREST PHOTOGRAPHY

IMAGE BY GALYNA_P/ISTOCK

# Using data to improve employee retention

**Finance professionals are using data analytics to address employee attrition and turnover costs during the Great Resignation.**

By Anita Dennis



Data analytics is useful not only to inform strategic decision-making, mitigate risk, and increase operational efficiency but also to help ferret out problems that prompt resignations and contribute to employee turnover costs that are high in the best of times.

Recruiting, onboarding, and training new hires can be expensive. In addition, nonfinancial costs include the loss of skills and lower morale and engagement among remaining employees who must take on extra duties, lost relationships with clients or vendors, and potentially missed opportunities when a team is not fully staffed. The departing staffer also takes away institutional knowledge that a new person may take months or years to gain.

"It all equals to a slowdown in productivity," concluded Brenda Morris, CPA, CGMA, partner, CSuite Financial Partners, Manhattan Beach, California.

As versions of the Great Resignation play out worldwide, putting companies under pressure to fill open positions, finance professionals can play an important role in using data analytics to reduce employee attrition and turnover costs — with benefits for their own teams and their entire companies. Having a stable and agile workforce helped many companies to be more resilient during the uncertainty and disruptions of the past two years.

Finance team members "are data-savvy and curious, and they have the ability to solve problems with numbers", said Alastair Woods, the London-based joint global PwC leader for people analytics and partner in PwC UK's People & Organisation consulting practice. "That's already a win."

## How to bring to bear your expertise

Here is best practice that finance team members can put to work:

### Broaden your perspective

The typical focus for finance and accounting leaders tends to be on timely and accurate financials, good modelling, and supporting business strategies, Morris said. "They may support the human resources or payroll team around metrics for retention or other areas, but most haven't really used data or predictive analysis to help companies

## LEARNING RESOURCES

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COURSE

### Data Analytics Foundations Certificate

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Find this resource in the AICPA Store and the CGMA Store.

COURSE

manage employee turnover or loss on a routine basis."

That is evolving, though, as more sophisticated CFOs and controllers expand their contributions in this area. "There's a real opportunity, depending on the size of the organisation, to work with HR or the people and culture teams to be a partner from a metric standpoint," Morris added. Within the finance and accounting team, cutting down on attrition is an important goal given the high demand for professionals. Turnover problems can, for example, affect the ability to close the books quickly, she said.

Also, much of the minutiae of finance and accounting jobs can now be handled by algorithms, reconciliation tools, and systemised processes, Morris said, allowing finance and accounting to add significantly more value. "They can spend time on exception management and analysis, research, critical thinking. Finance and accounting leaders can exercise this muscle," she said.

### Tap into a range of resources to collect data

Employee satisfaction surveys, for example, can tell a company how well someone likes working there, and managers' performance evaluations can measure employee effectiveness, according to Michael Lieberman, founder of statistical consulting firm Multivariate Solutions and an adjunct professor of market research at New York University.

Many organisations also look at a churn model, which shows turnover, and a cost replacement model, which reveals the expense of losing an employee. Either model can be used to create an average for the entire organisation, or the data can be stratified to look at certain job levels, he said.

In addition, predictive analytics can create an approximation of future retention, Lieberman said. For example, a lifetime value model, usually employed in marketing, can be put to work in the human resources context by using past data to determine, for example, how long people stay in particular jobs. The organisation might then perform regression analysis using employee satisfaction survey data to create the best incentive to keep the employee, he said.

Cost-per-hire metrics that demonstrate the value of avoiding turnover are another important tool because they can motivate organisations to focus on improving retention if they are losing more people than they would like.

### Target problems to solve

If a company is facing attrition, it can better address the problem if it knows whether it is happening at certain levels or areas — for example, after a certain length of tenure, with a particular gender, or based on any other attribute patterns in the dataset, Woods said.

For clients, he typically creates a labour map that covers the entire workforce and a heat map that highlights areas of attrition. The heat map can show, for example, which areas hover at a reasonable 5% attrition rate and which are seeing 25% or 30%. "That visual is really powerful," Woods said. Companies can then determine if the issue causing attrition is compensation, benefits, lack of flex-time or promotion opportunities, ineffective management, transparency about careers, or another concern.

"There are so many nuances within the employee population," Woods said. "Data allows you to get underneath that."

Woods worked with one professional services organisation that was facing significant losses of newer employees after the company had already invested a great deal of money in training. Data analysis showed that the point of exit came before employees received promotions. The company was able to lower attrition by creating and communicating a career progression framework that helped people understand what their first five years with the company could look like, which demonstrated that there was a pathway to promotion and larger salaries if they stayed.

In another case, one of Woods's clients found that the greatest turnover wasn't amongst people with the highest performance ratings but with those just below that level, mainly people in their 30s who were worried about mortgages and childcare expenses and were seeking higher raises than they had been getting. In this situation, an organisation can decide whether it's worth offering more money and opportunities to this group or specific valued individuals within it. In both cases, "data is absolutely the key", Woods said.

### Don't assume the effort is too complex

The necessary tools are relatively simple to implement and readily available, Woods said. The first step is to extract information from an HR information system, such as Workday, into a dashboard. In working with clients, he typically uses bespoke dashboards that are based on a reasonably priced tool such as Tableau. The power is not in the technology tool itself but in the visualisation that's possible in a dashboard and the ability to manipulate it live.

"With Excel, you have to really interrogate it to get the data you need," he said. "Now you can have the data all in one place on a dashboard that can illustrate trends across the organisation or in a narrow sector and show the patterns."

In a small organisation, a junior person could be assigned to set up a process for analysing attrition using these steps, he said. Organisations that are reluctant to make a large upfront investment could begin with a trial subscription to test out the best tools for them.

### Don't overlook the human factor

Analytics are a valuable tool, but they can't replace professional judgement that can decide, for example, which employees the organisation really wants to keep, Lieberman said. Natural attrition can bring in new people and makes it possible to promote others. "You don't want a revolving door," Morris said. "But you don't want to hold on to all of them."

Good performance and talent measurement systems can help identify which employees are most valuable. However, organisations should keep in mind that, in some cases, poor performance reviews may reflect low employee engagement. Globally, 20% of employees are engaged at work, according to a Gallup study.

One danger is that organisations will allow good people to leave when better engagement might have made them more effective and productive. A strong interpersonal relationship with a supervisor may help identify — and ultimately keep — these people.

"You can't get to a place where employee retention can be fully digitised," Morris said. "People want to be heard and listened to. They want someone to ask how they're doing."

A strong employee user experience is another advantage in recruiting. That includes providing updated technology that makes it easier for employees to do their jobs, collaborate, or access important internal data or their own HR information.

Also, counteroffers may keep good employees from leaving. Morris said that many organisations she works with use data analytics and business intelligence tools to gather market data from the internet to analyse comparable compensation for existing internal team members as well as for new positions being recruited for in the organisation. The ability to mine this information allows for real-time salary comparisons to help retain and recruit.

The shift to remote work during the pandemic is another key consideration in setting performance expectations or interpreting performance data. Some people may be able to accomplish all of their work in six hours at home, even though they had remained at their office for eight hours in the past because it was expected, Morris said. That may force organisations to revisit some of the productivity metrics they have used in the past. The key takeaway is that retention will always require a balance between data and personal engagement, she said.

### Get a seat at the table

"Information is power," Lieberman said. "It can allow companies to make better human resource decisions."

Rising wages and labour shortages have pushed companies to take more interest in retention data, according to Woods. "Anything to slow down the rate of attrition can help the organisation be more effective."

Some organisations are using agile squads — small multidisciplinary teams with specific focuses — to address issues such as retention, Woods said. Finance should have a seat at that table along with HR and project management experts, he said. "This approach helps the organisation connect the dots between workforce strategy, attrition, and skills gaps, and allows for more targeted interventions that touch on pay, taking a more customised offering to critical individuals rather than a blanket approach." ■

> **'Anything to slow down the rate of attrition can help the organisation be more effective.'**
>
> Alastair Woods, the London-based joint global PwC leader for people analytics and partner in PwC UK's People & Organisation consulting practice

*Anita Dennis is a freelance financial writer based in the US. To comment on this article or to suggest an idea for another article, contact Drew Adamek at Andrew.Adamek@aicpa-cima.com.*

# How successful managers lead up, across, down, and inward

IMAGE BY BEN MINERS/IKON IMAGES

**Successful leadership is more than being a good boss. It starts with self-leadership and requires leading across your peers, and up to your boss.**

By Jon Lokhorst, CPA

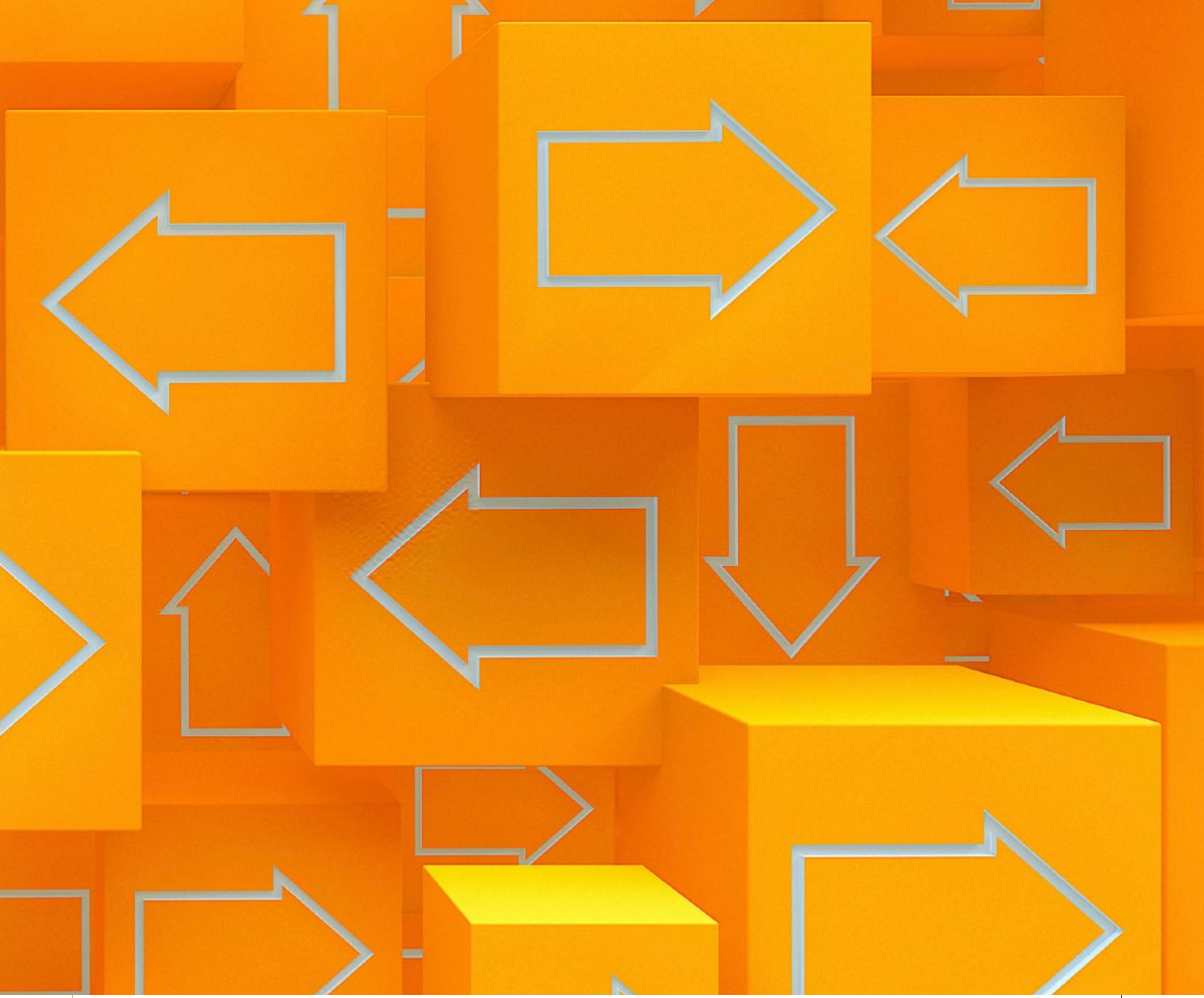
Most leadership development focuses on being a good boss to the people who report to you. While leading down is important if you want to be successful, it's mission-critical that you lead well in all directions.

Mission-critical leadership, as I define it in my book by the same title, is "using influence to build relationships and deliver results in all directions within an organisation, accelerating it faster and further toward its mission". In other words, you have to do well leading up to your boss, across amongst your peers, and down to your direct reports. You must also learn to lead yourself well, since all leadership starts with self-leadership.

In my presentation at the 2021 AICPA & CIMA Women's Global Leadership Summit, I explained how mission-critical leadership is accomplished. Here are some key considerations.

## Use 'ties' to help you lead well in all directions

Numerous leadership behaviours will help you move your organisation faster and further towards its mission. A simple



acronym **TIES** them all together. Mission-critical leadership requires that you develop:

**T**rust with your boss.

**I**nfluence with your peers.

**E**ngagement with your team.

**S**elf-awareness to lead yourself.

Leading up is the most counterintuitive form of leadership. It requires that you build unwavering **trust** with your boss. While trust is paramount to all working relationships, that is even more true of your relationship with your boss. Your boss needs to trust you to keep your word and follow through on your commitments. Your boss needs you to do your job exceptionally well and, as necessary, to take on more responsibility to help move critical organisational goals forward.

Leading across is the most complex form of leadership, as neither you nor the person you are trying to lead has role power over the other. Instead, you need to develop **influence** with these peers, building productive working relationships that inspire cooperation, collaboration, and support across teams. By doing so, you help break down silos and achieve important organisation-wide priorities and initiatives.

Leading down is the most common view of leadership, as it involves being a good boss to your team members. Deepening the level of **engagement** with your team is the key to leading well in this direction. No one wants to feel like they are a cog in the machine, only valued for the work they produce. They want to be seen as real people with their own goals and dreams, challenges, and struggles. When your people sense that you have their best interests at heart, even while focusing on delivering results, they will be the most responsive to your leadership.

Leading yourself, or leading from within, requires a high level of **self-awareness**. Being committed to your personal

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CONFERENCE

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This course explores different leadership styles and identifies key attributes needed to be an effective leader.

COURSE

**Leading up is the most counterintuitive form of leadership. It requires that you build unwavering trust with your boss.**

vision, purpose, mission, and values will provide a strong foundation to help expand your leadership capacity. You should develop a heightened awareness of the strengths and struggles that shape your leadership style, and work on your blind spots. Growing your self-leadership will not only help you avoid the traps that have derailed many fallen leaders, but it will also enable you to overcome the numerous obstacles you will encounter on your leadership journey. Remember, to lead others well you must first lead yourself well.

### Show up as your best self and deliver your best value

How can you show up as your best self and deliver your best value in every situation? This is a great question to ask yourself, because if you want to be a successful leader, every situation you encounter is an opportunity to demonstrate leadership — in one direction or another.

That was certainly true for a coaching client I refer to as Bill, a financial analyst for a multinational company. Bill liked his company and had a good job there, but he wanted more. He wanted to advance into a leadership role. Imagine Bill's frustration as he watched several of his peers get promoted — and he did not. He was stuck, wondering what it would take to achieve the promotion he desired.

When I asked Bill how he was perceived in the workplace, he responded, "I'm known for quality work. My reports are accurate and always done on time. I get along well with my co-workers. I get good performance reviews." As he spoke, he realised it would take more than that to get promoted to manager.

I suggested that Bill develop a new approach that would help him show up as a leader, not just as an analyst. To do so, I challenged him to come up with three words that describe him when he shows up as his best self and delivers his best value — three words that would help him get noticed.

When Bill returned for our next coaching session, he excitedly announced, "I have my one word." I was curious, thinking he misunderstood the directions. I reminded him that I had suggested three words. "Nope," he replied, "I narrowed it down to one. I want to be known as a 'firestarter'." Now I was even more curious.

Bill explained that he could start using the data, charts, graphs, and reports he created to ask pertinent questions, start conversations, and share insights that would help leaders manage their parts of the business better. From there, he worked on a plan to show up every day as a "firestarter".

It worked! Within a few weeks, his superiors noticed the change in Bill. Shortly after that, he received the promotion that had eluded him in the past. You might not be able to boil down your leadership approach to one word, so go ahead and use the three-word approach I suggested to Bill.

What are three words that describe you when you show up as your best self and deliver your best value? It's OK for them to be aspirational. In fact, they should represent attributes or behaviours that you're striving towards, even if you aren't consistent with them now. Don't overthink the question; your first impressions might be right on. That was true in my case. I've used the exact three words for over six years: insightful, confident, and engaging.

Once you identify your three words, make it a daily practice to ask how you can show up that way — in every meeting, presentation, conversation, and interaction. Like Bill, use your three words to lead up and demonstrate your value to superiors who make promotion decisions. Use them in leading across amongst your peers as you collaborate on moving cross-functional projects forward. Or as you meet with the team you lead to present organisational change initiatives that require their buy-in. As you do, you will get noticed, just like Bill did. You will show up as your best self and deliver your best value as a leader. ■

*Jon Lokhorst, CPA, PCC, is a leadership coach, corporate trainer, keynote speaker, and author of* Mission-Critical Leadership: How Smart Managers Lead Well in All Directions. *To comment on this article or to suggest an idea for another article, contact Drew Adamek at Andrew.Adamek@aicpa-cima.com.*

# Budgeting for uncertainty

**Enhance your organisation's budgeting in a fast-changing environment with these agile practices.**

By Anita Dennis

IMAGE BY AKINBOSTANCI/ISTOCK

Is your organisation's budget ready for the next disruption? Although some sectors were particularly hard-hit by the uncertainties of the past two years, given the length and impact of the COVID-19 pandemic and the ongoing effects of the war in Ukraine, there are very few industries that have come through the past two years unscathed.

This has left organisations seeking new ways to be nimbler in their budgeting and to enhance forecasting methods so they are prepared for whatever may come next. When CFOs and other finance leaders were asked what they will focus on enhancing in 2022, the top choice (72%) was improving the flexibility of budgeting and forecasting, according to a September 2021 Gartner survey. The same percentage of CFOs expected to have either significant involvement or full ownership of initiatives to develop more agile budgeting and forecasting processes.

"The disruptions of the past year did create unpredictability in pulling the budget together and make the budget a very challenging yardstick for performance evaluation," said Jasper Chung, ACMA, CGMA, head of corporate development, Asia Pacific, for the New York Times Co., based in Hong Kong.

But flexible budgeting techniques aren't merely a response to the pandemic. Even before COVID-19, flexible budgeting approaches enabled companies to react more quickly to risks and opportunities and to understand how to better use available resources. Going forward, flexible budgeting techniques will continue to provide strategic advantages.

This is a good time for finance teams to review their own yardsticks to determine how new approaches can enable them to respond better to an unpredictable environment. Whether it's a matter of shifting priorities or changing the entire budgeting and forecasting mindset, there are a number of steps organisations can take to add flexibility to the process.

## Change the mindset

To drive flexibility within the organisation, finance team members must be ready to reconsider their own role, said Chathuranga Abeysinghe, ACMA, CGMA, lead data evangelist at MAS Holdings in Colombo, Sri Lanka, an apparel manufacturer for international brands that also designs and distributes its own brand. Using new tools and approaches "will demand a transformation of the finance team's professionals from business analysts, who focus on what has happened, to data analysts, who tell you what will happen", he said.

While many organisations have adapted traditional budgeting to the uncertainties of the past two years, Aubrey Joachim, FCMA, CGMA, a trainer and coach who works with organisations throughout the world, advocated dropping current budgeting approaches entirely. "The traditional budget mindset looks at organisational, financial, and strategic performance from a long lead time, set well before the actual numbers come in," he said. "We are in a 24/7 cycle, so that is not suitable to a changing environment."

Joachim, who is a past president of CIMA, recommended engaging in a change management process that can use many available tools in new ways. When he headed a finance team in a corporate environment, he told managers that instead of giving them budgets to meet, he would simply challenge them to do the best they could. "It encouraged them to use their own initiative and creativity," he said. It also prevented them from trying to meet established goals despite an unforeseen downturn or supply chain problems, from spending their entire budget on items they did not truly need, or from slowing down efforts once initial budget numbers were reached.

"Remember, too, that using sophisticated tools does not have to mean added complexity," Joachim said. "At the end of the day, data analytics is only a platform for doing something that finance would otherwise do as a basic foundation," he said. It is a way to gather and manipulate existing business knowledge for decision-making that can be performed on a basic spreadsheet. When he worked in industry, Joachim employed data analysis long before current data analytics tools were available, using business knowledge as well as regression analysis, decision trees, and activity-based costing, among other tools.

## Shorten the budgeting cycle

The significant and wide-ranging disruptions of the pandemic have

## While a budget establishes expectations, a forecast estimates reasonable future prospects.

revealed the limitations of the traditional budgeting approach. During the first few months of the pandemic, illness and other related factors at MAS Holdings led to an unprecedented level of worker absences, which threatened to hinder operations, according to Abeysinghe.

Fortunately, the company has been upgrading its digital capabilities in the last few decades, which allowed it to shorten its budgeting cycle so that it could more easily check and adjust assumptions depending on new developments, he said. "Data analytics and digital transformation can play a huge role," he said. Data analytics tools made it possible to monitor dynamic variables from throughout the company and feed them into a comprehensive, consolidated rolling budget. His organisation relies on SAP and Power BI.

Digital information and data analytics can also be used to gather external intelligence on the main variables that affect an organisation's costs and demand, including data on changes in market size and volume, customer circumstances, and global and domestic financial and monetary policy, he said. And companies can minimise disruptions to customers by informing them of potential delays or other problems well in advance, based on their own updated budgeting data. The many advantages of a more reliable budget also include increasing the likelihood that teams can actually follow it. "If targets are too far off, people are not motivated to achieve the budget," Abeysinghe noted. "Revised targets make a big difference."

### Finesse your forecasting

While a budget establishes expectations, a forecast estimates reasonable future prospects. At the St. Regis Dubai, The Palm, which is managed by Marriott International Inc., the corporate budget is set in stone, according to Steven Dowd, FCMA, CGMA, director of finance. As a result, a greater focus on forecasting worked well during the pandemic.

"The last year or two were devastating for hospitality," he said, adding that the disruptions that discouraged or prohibited travel had a greater effect on the industry than 9/11 or the 2008 global financial crisis. As a result, while the organisation might have reviewed its forecasting cycle each month in the past, it began to revise forecasts weekly when COVID-19 broke out, in order to update its model based on new developments.

Joachim offered an illustration of how forecasting can work in practice. He noted that many factors influence the sale of a car, including the cost of petrol, a downturn or upturn in the economy, and the direction of consumer prices or of unemployment or exchange rates. All of these considerations are variable, but using their own algorithms and data analytics, organisations can fine-tune their understanding of how any pertinent element might affect sales and then revise forecasts accordingly. New assumptions can then be applied at all levels. For example, an updated car sales forecast may translate to a change in sales expectations for individual salespeople at a dealership or in production plans at a manufacturer.

Joachim also pointed to online retailers that use high-end algorithms to immediately offer customers products related to something they have just bought. The algorithms can also alert the retailer to potential future needs. For example, if someone buys a recipe book, the immediate auto suggestions might be cooking ingredients that have a very high likelihood of a buying decision in the next few days. This would set off an entire chain of purchasing decisions that could be forecast. Using this kind of predictive analytics, the spontaneous book purchase can provide insights into subsequent events.

Powered by artificial intelligence, next-best-action models use data about a customer to recommend actions or offers that might meet customer needs.

### Put familiar tools to work

Flexibility is also enhanced when organisations make the best use of existing approaches, even ones that have been adopted on the fly during the past two years. "If you've put in the time and energy to develop new and more efficient reporting tools, don't put them aside when things return to normal," Dowd advised. During the pandemic, his organisation has worked to achieve a better balance between fixed and variable costs to determine whether the benefits of an expense still provide value during a downturn. The organisation will continue to monitor this balance and use the new KPIs that it has determined are best for the business.

For example, his hotel might get a lower price for window cleaning by signing a long-term contract, but that service might seem unnecessary when idle staff members could perform some of the work during a downturn. If it does not commit to the contract, the hotel could perform the service as needed, based on cash flow, thus ensuring the business's ongoing survival, even if it does mean higher costs in the short term, Dowd said. In considering this choice, factors might include any termination penalties or necessary notices for cancellation, in addition to the cash flow forecast. "If there is a high risk that cash resources will be a challenge, the business will need the ability to reduce the cash outflows," he said.

In addition, with a stable brand and relatively stable market, Dowd's organisation can generally rely on a steady cash flow because hotel bills are generally settled immediately. However, "when income suddenly stops for six or seven months, but commitments and outflow continue, it makes you wake up and start looking at cash flow," Dowd said. He emphasised the resulting importance of continuing cash flow analysis so that organisations can respond quickly when their cash levels are below expectations. The hotel was able to extend payment terms with some vendors and third parties, making it possible to maintain a positive cash status.

### Maintain good communications with stakeholders

Hotels and airlines often distribute newspapers to customers, so low occupancy rates and travel restrictions during the pandemic had an impact on print edition subscriptions at *The New York Times*, according to Chung. Times online subscriptions continued to grow strongly as remote work and digital learning for students became a fact of life, however, he said. At the same time, "physical event planning remains very fluid due to the unpredictability of COVID-19 situations and social-distancing rules locally and around the region," he said. Cancellation of events presented by the company affects the Times's revenue stream from advertising sponsorships and ticket sales.

"Keeping in close communication with clients will certainly help us understand their situations and will enable us to make quick turnaround plans and new proposals to fit their needs and exploit the opportunities when there is a sign of recovery," he said. When it comes to event planning, the Times also tracks circumstances in locations where events were planned.

The management accounting team should be proactive in communicating with the budget owners inside the organisation as well, Chung said. "Staying nimble means that management accountants need to understand their internal stakeholders better to balance between the level of detail and the speed of delivery needed for decision-making."

### Focus on priorities

To make the best and most timely allocations of time and money in uncertain times, Dowd recommended taking a step back and concentrating on the core business. In a strong market, organisations may try to expand their outreach to drive additional revenue streams and grow the business, but that can become a distraction when times are tough.

For example, while hotels are well equipped to rent rooms and serve meals, many may also branch out into running restaurants or providing catering for events off-site, Dowd noted. Those efforts can require a great deal of time and attention, which may seem worthwhile in a strong market but can eat up valuable time and effort during a downturn, he said. Finance can help a company be more agile in recentring itself by, in Dowd's case, gathering data on productivity, occupancy rates, and meal sales that help identify whether the organisation is spending time driving areas of the business that aren't as profitable. The organisation can also use that data to identify and address drains on the budget.

In another case, when Dowd's organisation found itself overstaffed during the downturn, his team examined ways it could develop employees' skills to take on new responsibilities. This enhanced productivity and, in some cases, enabled them to explore new career opportunities within the company, he said. ■

*Anita Dennis is a freelance financial writer based in the US. To comment on this article or to suggest an idea for another article, contact Drew Adamek at Andrew.Adamek@aicpa-cima.com.*

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IMAGE BY CNYTHZL/ISTOCK

# Electric vehicle batteries: A case for the circular economy

**A model applied to the EV battery life cycle shows how to evaluate the benefits of reuse by mapping sustainability impacts.**

By Ian Thomson, ACMA, CGMA

Imagine you took two sips from a glass of champagne and poured the rest down the sink. Or ate two pieces of chocolate and threw the rest of the bar away. Or, with 80% of its useful life remaining, you threw away a £5,000 car battery — a battery that contains many rare-earth metals and valuable minerals, is at least 70% recyclable, and could have decades of second life in domestic renewable energy systems. Makes no sense, does it? But without intervention, a landfill will be the fate of most electric vehicle (EV) — and other types — of batteries.

This wasteful use of valuable resources is pushing us to our social, environmental, and economic limits. Finance professionals are well aware of the rising economic costs of scarce resources and the benefits of reducing waste. Waste is simply stuff we have paid good money for but can't use or sell. But is all "waste" really waste, or does it have hidden value? What if you could create additional value from your waste and save money on raw materials?

This is at the core of circular economy thinking, which follows a long business tradition of reducing costs, managing risk, and optimising value. That's why I and researchers at the Lloyds Banking Group Centre for Responsible Business at the University of Birmingham in the UK set out to find a circular solution for EV batteries, an industry that has massive

opportunities for creating value from waste. But let's first understand the problem of waste and management accounting's role in finding solutions.

## Accounting systems do not capture benefits of reuse

Those of us who have been around for a long time will remember the culture shock of the total quality management and just-in-time revolutions. However, the momentum of these transformations has dissipated at a time when resource use — including its massive impact on our climate — has become an urgent problem.

Customers, employees, suppliers, regulators, activists, and even investors are all more savvy about the full costs of waste. The tactic of outsourcing waste or environmental impact to your supply chain or passing it on to your customers is becoming socially unacceptable. The visibility of the negative consequences of business decisions has never been greater. And costs are predicted to grow substantially.

Major corporate buyers could face over $120 billion in increased costs in the five-year period to 2026 due to environmental risks in their supply chains, and these are likely to spiral upwards, according to CDP, a not-for-profit group that helps companies and governments disclose their environmental impact.

The problem is that most financial systems and decision protocols are not fully aligned with circular thinking. The long-term benefits of reuse fall outside the visibility of short-term KPIs, whereas short-term increases in costs are captured. Financial reporting rules act against capitalising on product design changes, sustainable procurement contracts, or value from future-life asset sales. This means businesses are restricted in disclosing related benefits or reduced risks.

Very few financial systems integrate the environmental, social, and governance (ESG) performance valued by responsible investors or connect circular initiatives that can drive this ESG performance. Reducing supply chain risks through circular thinking and decarbonisation will save money and create many benefits in the long term but increase costs in the short term.

The management accountant plays a key role in this transition to circular models. There are many techniques and standards in management accounting's toolkit, including ISO 9000, which focuses on quality management and continuous improvement, and ISO 14000, which focuses on environmental management.

## The case of EV batteries

At the Lloyds Banking Group Centre for Responsible Business, we have been researching ways of transitioning to EVs. Generally, most routes to EVs are more sustainable than existing internal combustion vehicles, but some routes are more sustainable than others. One critical component of any EV transition is the battery.

The battery sits at the nexus of costs, risks, social harm, environmental pollution, and performance, and it is a fast-evolving technology. Different batteries have very different sustainability impacts, and these cost and benefit impacts are not always shared equally among businesses in the value chain. This is further complicated by the level of dependency on developments in connected systems, including charging infrastructure and battery remanufacturing.

Our research involved representatives across the EV life cycle from raw material extractors to EV fleet operators. We realised that a major challenge to the development of a sustainable battery was the difficulty connecting the different information systems operating in different businesses across the world in places as far afield as the Central African Republic, China, Indonesia, and Chile.

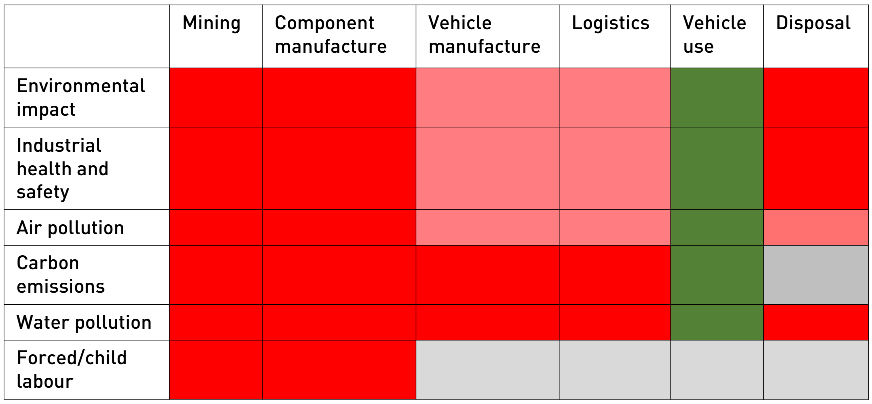
From a sustainability perspective, a major concern relates to the possibility of a "solution" shifting the problem around the value chain or swapping one negative impact for another. For example, an EV driving around Norway will reduce Norwegian air pollution and carbon emissions. But to enable that EV to drive one kilometre could create massive environmental impacts, industrial injuries, water pollution, and carbon emissions in developing countries.

This is because EV batteries require cobalt, manganese, nickel, copper, and lithium, with their associated risks of irresponsible mining, production, processing, and component manufacture. Even if the environmental net effect across the value chain is positive, this could unintentionally be at the cost of rising social inequality or human rights abuse. That is why we need to use "whole life costing" evaluations across different dimensions of sustainability, using different scenarios.

## Evaluating circular value chains

To do this we developed a model suitable for evaluating circular solutions that could be used to map critical sustainability impacts of different end-of-life scenarios for batteries. This model looks to evaluate whether the benefits over the life of the product are greater than the costs of its production. It is effectively an application of payback (the time it takes to repay an initial investment) to profile the life cycle impacts using different production, use, and reuse scenarios. In the "Scenario 1" graphic, the columns relate to the standard life cycle categories used in strategic management accounting, and the rows relate to the criteria against which different scenarios are compared.

## Scenario 1




We have simplified the model to demonstrate the underlying concepts and ideas without getting lost in the details. Also, instead of numbers, we have used a modified traffic light system where red represents a negative impact (the deeper the red the more severe the impact) and green represents a positive impact. Grey cells represent nonmaterial relationships or impacts.

Reading the model on a row-by-row basis allows us to estimate a range of paybacks — on carbon, health and safety, environment, air pollution, and water. However, it is difficult to conceive any circumstances where modern slavery practices could ever be justified or considered to pay back.

### Scenario 1: Take-make-use (a battery is made from virgin materials and disposed of in a landfill when it is no longer useful but still has 80% efficiency left)

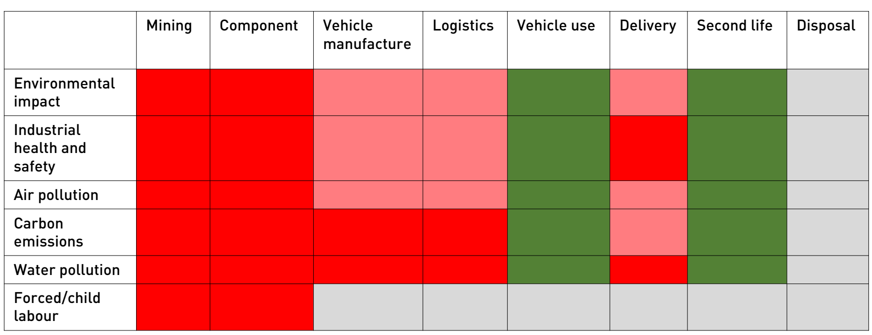
In this scenario, the only opportunity to offset negative impacts in the value chain is by driving the EV instead of an internal combustion engine. Therefore, the more miles a battery can deliver, the better its overall impact as it increases the possibility of paying back for any damage done.

### Scenario 2: Second life

Nana Bonsu, Ph.D., a researcher on our team, identified second-life applications for EV batteries for storing energy generated from renewable energy sources such as wind or solar, particularly in developing countries. In this scenario, the battery is repurposed for domestic solar energy systems in developing countries after it is no longer useful for EVs. (See the "Scenario 2" graphic.)

In this second scenario, there are two opportunities for payback. While the second life extends the active use of the battery by decades, the battery is still suitable for further reconditioning or recycling, thus reducing any environmental risks of disposal. As the battery replaces power generated from burning kerosene or wood, it enables a

## Scenario 2



## LEARNING RESOURCE

**The Circular Economy**

Learn how the depletion of finite resources is prompting organisations to reconsider their business models. Explore different types of circular business models to see if any fit your business.

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significant greenhouse-gas-reducing impact over decades. Additional environmental impacts in transporting the batteries need to be taken into account, however.

### Scenario 3: Infinite cycle of use?

In theory, batteries can be remanufactured indefinitely, allowing multiple opportunities for payback and keeping the battery out of a landfill. In practice, there will be a need for additional materials, with potentially high levels of environmental risk associated with battery remanufacture. However, research indicates that remanufacturing is substantially less damaging environmentally than the original manufacturing. (See the "Scenario 3" graphic.)

In this scenario, there are numerous opportunities for payback, but they require additional costs and have additional impact. Therefore, it is important to evaluate the net benefits from each use-remanufacture cycle. Decisions as to how and where the batteries are remanufactured are critical to the overall sustainability of the transition to EVs.

### Strategic intervention

These scenarios demonstrate that sustainable benefits from the consumption of goods and services will inevitably necessitate negative impacts somewhere in the world. Therefore, we need to consider two strategies.

One is to optimise the sustainable benefits through the use and reuse of these goods and services to compensate for any damage incurred from extraction of scarce resources. The second strategy is to minimise the negative impacts at all stages of the value chain.

This form of modelling can identify strategic intervention points. For example, the reputational capital of the whole value chain could be impacted if it was uncovered that there was extensive use of forced child labour in the mining of raw materials for the battery. It follows that removing these practices would benefit all in the value chain. It is important that the costs of forced labour and the benefits of its removal are reflected in the price paid for components.

Circular economy thinking provides greater visibility of critical reputational risks and their associated costs or benefits. It also uncovers new opportunities for value creation and cost saving through more efficient use of resources. There are many other products, services, and resources where circular design principles can help businesses contribute to the development of more sustainable communities and natural systems. ■

**Resource**

**Report**

*Governance Introduction: Putting the G in ESG*

*Ian Thomson, ACMA, CGMA, is professor of accounting and sustainability and director of the Lloyds Banking Group Centre for Responsible Business at the University of Birmingham in the UK. To comment on this article or to suggest an idea for another article, contact Drew Adamek at Andrew.Adamek@aicpa-cima.com.*

### Scenario 3

| | Mining | Components | Vehicle manufacture | Logistics | Car use | Remanufacture #1 | Car use | Remanufacture #n | Car use | Disposal |
|---|---|---|---|---|---|---|---|---|---|---|
| Environmental impact | | | | | | | | | | |
| Industrial health and safety | | | | | | | | | | |
| Air pollution | | | | | | | | | | |
| Carbon emissions | | | | | | | | | | |
| Water pollution | | | | | | | | | | |
| Forced/child labour | | | | | | | | | | |

IMAGE BY LUCHSCHEN/ISTOCK

# How to LOOKUP the data you want to find in an Excel range

**Many options exist to search for data in Excel, but what do you do if the data is in a range?**

By Liam Bastick, FCMA, CGMA

Articles about looking up data in Excel are written all the time. Indeed, several such articles have appeared in *FM* magazine.

I should know. I wrote them.

Those articles covered numerous ways to find data in Excel, but there is one common problem I have yet to explore: How do you look up data over a range?

Let's find out.

### A sample example

Imagine you are marking an exam, scoring candidates' marks out of 100, which has the following grading system defined. Any score of 85 or above gains an "A*" grade, a score between 70 and below 85 (84 for simplicity) rates an "A", a score between 60 and under 70 scores a "B", and so on, as shown in the screenshot "Exam Marks".

### Exam marks

| Range | Grade |
|---|---|
| 0-19 | U |
| 20-35 | F |
| 36-42 | E |
| 43-49 | D |
| 50-59 | C |
| 60-69 | B |
| 70-84 | A |
| 85+ | A* |

There is a problem here. The scores in the Range column are viewed as text by Excel, but the scores achieved by candidates are numerical. How do I explain to Excel that the numerical value of 57 is in the text range "50–59"? It's simple to us, but Excel requires assistance. Therefore, we need to address two connected issues:

1 We need to convert the text ranges into a numerical register that may be used as a grading barometer.
2. We also need to decide *which* Excel lookup function (given there are so many) is best placed to return the required grade.

Clearly, I need to deal with the first issue first, so let's start there. I note the scores are in ascending value. Therefore, I can just use the first value in the range to derive the "bucket", as Microsoft likes to call these bands/ranges of values.

In Power Query, it's trivial to return the first numerical value (there is a button you can simply click), but I am going to assume we wish to achieve this formulaically in Excel, so I may amend the ranges in real time without needing to hit a "Refresh" button. Thus, I proceed as follows, beginning with a "Helper" column in my table, as shown in the screenshot "Helper Column Added".

### Helper column added

G13 =LEFT(F13,IFERROR(FIND("-",F13

Exam Marks

| Range | Helper | Grade |
|---|---|---|
| 0-19 | - | U |
| 20-35 | 20 | F |
| 36-42 | 36 | E |
| 43-49 | 43 | D |
| 50-59 | 50 | C |
| 60-69 | 60 | B |
| 70-84 | 70 | A |
| 85+ | 85 | A* |

In cell G13 in the illustration "Helper Column Added", I have implemented the following formula:

=LEFT(F13,IFERROR(FIND("-",F13),FIND("+",F13))-1)*1

## LEARNING RESOURCE

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All of which will help you work faster and smarter.

Find this course in the AICPA Store and in the CGMA Store.

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Not my longest calculation ever by any means, but it still needs explaining. It all centres on the FIND function:

FIND("-",F13)

This formula looks for the character position of the hyphen ("-") in cell F13. In the text string "0-19" (the contents of cell F13), the hyphen is clearly the second character in the text string, so FIND("-",F13) will return the value two (2).

If there is no hyphen, the error message #VALUE! is returned instead. Hence, we "wrap" this formula in an IFERROR expression as follows:

IFERROR(FIND("-",F13),FIND("+",F13))

IFERROR evaluates FIND("-",F13). If it returns a numerical value, that's fine; if it returns an error, it instead searches for a plus ("+") symbol in the same cell:

FIND("+",F13)

This is required because of the value in cell F20, ie, "85+". Here, FIND("-",F20) would return #VALUE!, but FIND("+",F20) — the formula to calculate if the primary calculation results in an error — would return three (3), as the plus symbol is the third character in this text string.

### Resources

**Article**

"Calculating Weighted Averages in Excel", *FM* magazine, 7 March 2022

Therefore, the formula:

=LEFT(F13,IFERROR(FIND("-",F13),FIND("+",F13))-1)

will return the text equivalent of the first number in the range for all buckets. For example, in row 20, IFERROR(FIND("-",F13),FIND("+",F13)) returns three (3), so the formula resolves to:

=LEFT(F20, 3 – 1)

which would return the two "left-most" characters in the text string "85+", ie, "85". However, this would not be a numerical value, so multiplying by one (1) converts these text strings into numerical values, hence the final formula:

=LEFT(F13,IFERROR(FIND("-",F13),FIND("+",F13))-1)*1

This has now addressed our first issue. We now have a numerical register (a list of values in increasing order) we may use to look up our students' marks. I now need to consider which function to use to look up the data.

As with all things in Excel, *simplest is best*. Yes, we have VLOOKUP, HLOOKUP, INDEX MATCH, OFFSET MATCH, SUMIF, SUMIFS, SUMPRODUCT, XLOOKUP, et al., but whenever you have data in ascending order in a spreadsheet, your simplest, most reliable function to use is nothing more than the extremely humble LOOKUP function.

### LOOKUP reminder

LOOKUP has two forms: an *array* form and a *vector* form. Let me explain the jargon:

- An array is a collection of cells consisting of at least two rows and at least two columns.
- A vector is a collection of cells across just one row (row vector) or down just one column (column vector).

The diagram "Array and Vectors" should be self-explanatory.

### Array and vectors


The array form of LOOKUP looks in the first row or column of an array for the specified value and returns a value from the same position in the last row or column of the same array:

LOOKUP(lookup_value, array)

where:

- lookup_value is the value that LOOKUP searches for in an array. The lookup_value argument can be a number, text, a logical value, or a name or reference that refers to a value.
- array is the range of cells that contains text, numbers, or logical values that you want to compare with lookup_value.

The array form of LOOKUP is very similar to the HLOOKUP and VLOOKUP functions. The difference is that HLOOKUP searches for the value of lookup_value in the first row, VLOOKUP searches in the first column, and LOOKUP searches according to the dimensions of array.

If the array covers an area that is wider than it is tall (ie, it has more columns than rows), LOOKUP searches for the value of lookup_value in the first row and returns the result from the last row. Otherwise, LOOKUP searches for the value of lookup_value in the first column and returns the result from the last column instead. This is why it is dangerous to use, and it is usually safer to adopt its sibling variant, the vector form instead:

LOOKUP(lookup_value, lookup_vector, [result_vector])

The LOOKUP function vector form syntax has the following arguments:

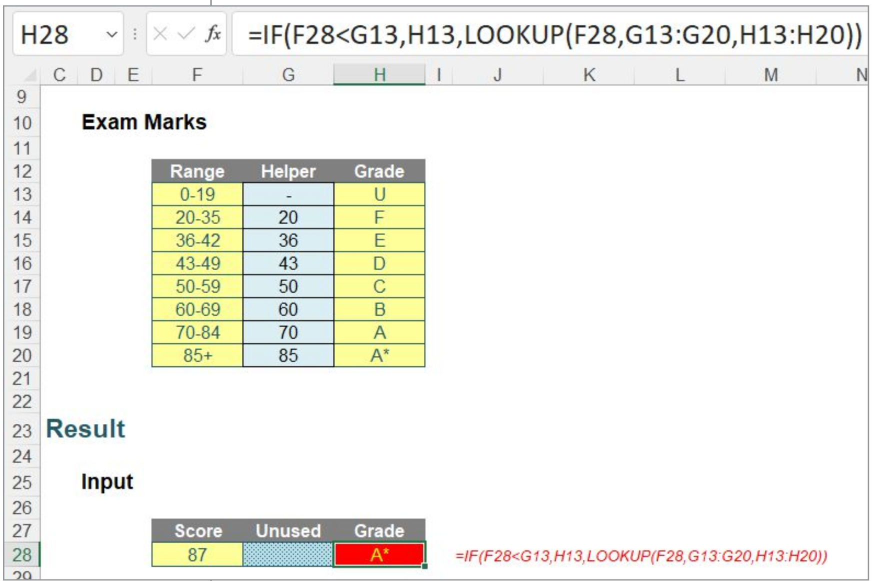
- lookup_value is the value that LOOKUP searches for in the first vector.
- lookup_vector is the range that contains only one row or one column.
- [result_vector] is optional — if ignored, lookup_vector is used — this is the where the result will come from and must contain the same number of cells as the lookup_vector.

Like the default versions of HLOOKUP and VLOOKUP, lookup_value must be located in a range of ascending values; ie, where each value is greater than or equal to the one before. If this rule is followed, LOOKUP will return the value occurring to the final occurrence of the lookup_value (whereas MATCH would return the first occurrence).

## Returning to the range lookup

Given our lookup data is in ascending order, we have remarkably little left to do, to find our corresponding grade. LOOKUP in vector form works very well with our Helper column, as shown in the screenshot "LOOKUP in Vector Form With Helper":

**LOOKUP in vector form with Helper**




My formula in cell H28 is given by:

=IF(F28<G13,H13,LOOKUP(F28,G13:G20,H13:H20))

LOOKUP(F28,G13:G20,H13:H20) finds the largest value less than or equal to F28 (87 in the graphic) in the cell range G13:G20, which consists of the values 0, 20, 36, 43, 50, 60, 70, and 85. The largest value less than or equal to 87 is 85. It then looks for the corresponding value in the cell range H13:H20 (which would be the grades), to return the corresponding grade of A*.

The IF(F28<G13,H13,... statement is simply used to ensure that if the score in cell F28 is less than zero (the value in cell G13, and certainly not a good exam result!), the bottom grade of U (cell H13) is used instead. Since the list is in ascending order, we know for certain that the value in cell G13 represents the lowest value in the cell range G13:G20.

## Word to the wise

Looking up data in ranges is a common problem with a relatively simple solution. You just need to step out the requirement by converting the range to a numerical value that may be used for comparisons and then using an appropriate lookup function. Always aim to get your lookup data into a logical, sequential order. If you achieve this, simple, staid, and stolid functions such as LOOKUP can be readily applied by modellers and easily understood by end users alike. ■

*Liam Bastick, FCMA, CGMA, FCA, is director of SumProduct, a global consultancy specialising in Excel training. He is also an Excel MVP (as appointed by Microsoft) and author of* Introduction to Financial Modelling *and* Continuing Financial Modelling. *Send ideas for future Excel-related articles to him at liam.bastick@sumproduct.com. To comment on this article or to suggest an idea for another article, contact Andrew Adamek at Andrew.Adamek@aicpa-cima.com.*

IMAGE BY GARY WATERS/IKON IMAGES

# Negotiation skills: A key tool for finance leaders

**An accomplished negotiator offers 12 tips for aspiring leaders to hone their negotiation skills, build influence, and achieve career success.**

By Raju Venkataraman, FCMA, CGMA

Negotiating is a science and an art. It is based on principles and methods and requires some psychological skill and lots of practice.

Finance leaders would do well to hone their negotiation skills, be it for balancing multiple interests and making resource allocation decisions, for dealing with external stakeholders like vendors and bankers, or for advocating for oneself with senior executives to ensure one's own career progress.

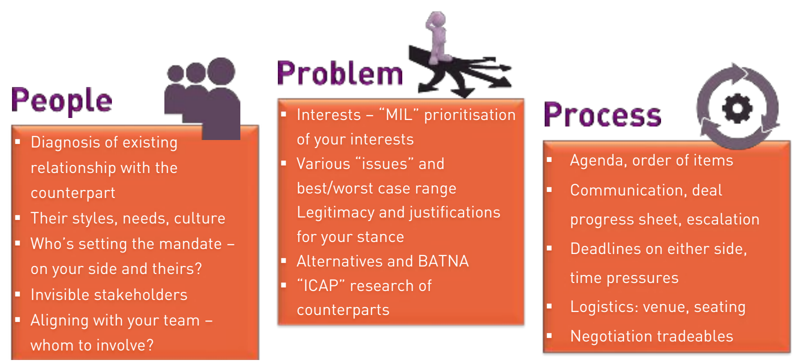
During more than 25 years of my corporate career, I participated in or led high-stakes negotiations in acquisitions and divestments, intellectual property licensing, and prominent media content services in multiple cultural settings. The battle scars from these negotiations helped me hone skills as a tough-yet-fair negotiator.

Based on my experience, here are my top 12 tips for those aspiring to be ace negotiators:

### 1. Prepare, prepare, prepare because negotiation is about 80% preparation.

- Before you first meet parties with whom you are negotiating, take time to gather pertinent information.
- Focus on all dimensions: people, problem, and process — for your side and the other side. (See the chart "Preparing for the 3 Dimensions" for details.)
- Use tools like the downloadable "7 Elements Worksheet" to organise your findings and to align with internal stakeholders. Update it as you find new information.
- Prepare a list of questions you can ask the other party to validate your research and test your assumptions.
- Anticipate awkward questions your counterpart might pose.
- Preparation is not a one-time step. While it's difficult to plan for every possible situation, a good negotiator can adapt quickly, return to the preparation stage to gather new information, and draft a new plan, if needed.

**Preparing for the 3 dimensions**




Source: Ecsel Consulting.

2. **Aim high: Your initial offer should focus on your target terms, not your walk-away.**
- Sellers should ask for more than they expect to settle on. Buyers should offer less than they are prepared to pay.
- Justification is critical. Express a rationale for your position.
- Set specific, challenging goals to consistently achieve better objective outcomes. For example: "My aim is to renew at 10% higher than our current rate, and I have the justification for it", rather than "I'll try and get the best possible rate".
- At the same time, learn how to protect yourself against "anchoring" by the other party when they present an extreme first offer.

3. **Plan your concession strategy. Trade concessions, don't just give them.**
- Unilateral concessions are self-defeating.
- Trade concessions based on the fact that things have different values to different people. Always tie a string: "I'll do this if you do that." Use the "If … then …" framework.
- People need to feel that they have "earned" concessions even when you are willing to give them away.
- Identify your negotiable variables in advance. These are items that cost little to concede but are valuable to the other side, such as a cash-rich company securing a discount for early payment to a cash-strapped vendor.
- Be mindful as you approach the end of the negotiation. Most concessions are made under pressure of deadlines when negotiation time starts to run out.

4. **Don't over-focus on pressures, vulnerabilities, and deadlines.**
- Ask instead, "What are the pressures my counterpart faces?" Your negotiation power derives in part from the pressures on the other party.
- Be a detective and look beyond the other party's expressed position to uncover their underlying interests; otherwise, a lot of value will be left on the table.
- If you over-focus on your timelines, you are likely to give up too much. For example, if you need to find a new job urgently, you may accept a position at lower pay than you deserve, or compromise on the benefits.

5. **Take responsibility for your emotions and recognise the other party's emotions.**
- Negotiators who manage their emotions are able to attain and retain more control.
- Cultivate self-awareness of your emotional triggers so you can avoid being riled by something the other party does.
- If you do get triggered, deploy tools such as taking a break, breathing deeply, or walking away to manage your emotions.
- Set an ultimatum only when you really mean it, because ultimatums are like hand grenades — once you pull the pin, there's no reversing without detonating your credibility. Learn how to defuse counterparty ultimatums.
- "Build them a golden bridge", as Chinese general and military strategist Sun Tzu advised. Make it easier for your counterparty to back down and help them save face.

6. **Verify your assumptions. Don't implicitly trust or fall in love with them.**
- Stay open to possibilities. If you tell yourself that the other party will never agree to what you're asking, you run the risk of falling prey to your biases and being a prisoner to your assumptions.
- During the negotiation, ask open-ended questions like, "Tell me more about that …" or "Why would this feature be so important to you?" This will help you clarify your preparatory assumptions about the other person's interests and concerns.

7. **Take the other party from "no" to "yes".**
- Embrace "no" as a tactic. As author Christopher Voss says, "Almost all of us are hard-wired to want to hear 'yes' from the other side." We should get rid of this limiting habit. (See the chart "Embracing NO as a Tactic".)
- Being pushed for a "yes" makes people defensive. A "yes" signifies commitment, which can create anxiety and stymie decision-making.
- People feel safer and protected saying "no" instead of "yes".
- Flip your question in such a way that when they say "no", it gives you the "yes" you want.
- Though "yes" is the final goal of a negotiation, don't aim for it at the start.
- Resist the temptation to immediately go into convincing mode for a "yes", when you hear a "no" for your request from your counterpart.
- Aim for information, not agreement. Ask questions to find out why the other side is rejecting your request.
- Tailor your counterargument to the reasons behind the "no". If the reason is a problem — for example, payment terms — then focus on a plan to solve it. If the reason is a feeling — for example, "I'm worried everyone will ask for this" — then listen to uncover the fears and focus on assuaging them. If you launch into convincing mode without full information, you may focus on the wrong argument.

### Embracing NO as a tactic


Adapted from *Never Split the Difference*, by Chris Voss, copyright 2016 by Harper Business.

## LEARNING RESOURCE

**MBAexpress: Nuances of Negotiating — V 2.0**

This course will provide you with key tips and techniques you can use to improve your negotiating strategy, skills, and confidence.

COURSE

### 8. Ask good questions, then stop talking, listen, and demonstrate empathy.

- Good negotiators listen more than they talk. Ask probing questions and then listen up. Your counterpart will tell you a lot of what you need to know.
- Encourage your counterpart to talk by asking open-ended questions. Ironically, smart people are more prone to making the mistake of not listening. For instance, someone narrates an experience, and we either start comparing with our situation, "Oh yeah, that's like when I …", or we go into solution-seeking mode even as they are speaking.
- Choose the question type according to the situation: closed, open-ended, leading, or sequential.
- Gather precise information with a closed question. "Can you state categorically that you have not contracted at a rate lower than this?"
- Explore options with a what-if question. "What if we did it this way?"
- Win people by seeking advice. "What would you suggest to resolve this issue?"
- Paraphrase and confirm what they said, to prevent misunderstanding and convey listening. "Have I got this right? You are saying that …?"
- Questions can be nonverbal as well — raising an eyebrow, nodding to prompt more, or simply staying silent are signals to the other person to say more.
- Listen with the context of the body language. As leadership coach John Maxwell said, "People may hear your words, but they feel your attitude."
- Non–face-to-face negotiations (email, phone, messaging, etc.) must be more nuanced since you can't observe body language of the other party.

### 9. Recognise and block tactics by your counterpart.

- Good cop, bad cop is a tactic where one person is confrontational and demanding while the other is understanding and supportive. The first thing you must realise is that both are on the same side. One way of handling this is to explicitly call out their tactic. Another way of addressing the situation is to shift your focus to the good cop only rather than getting caught up in the power play.
- To counteract the "I'm not authorised" or "My hands are tied" tactic, be sure to clarify routing and approval procedures in advance so that they can become part of your negotiation strategy.
- If you encounter what appears to be a false deadlines tactic, beware of Chicken Little insisting the sky is falling; verify that it really is urgent and what is the nature of the urgency.

### 10. Determine when to walk away from the negotiation.

- Know what success looks like and the minimum outcomes you must achieve. Think about what your walk-away point is if you cannot achieve them.
- Avoid rushing into a deal at any cost because it turns you into fresh meat in a shark tank.
- Although it may be more beneficial to achieve a successful outcome in a negotiation, you'll gain confidence when you know that you have researched viable alternatives and have a strong BATNA (best alternative to a negotiated agreement) that you continue to keep alive. This tactic may be less applicable to internal negotiations.

### 11. Don't let the perfect fight the good enough.

- Make a conscious effort to distinguish big (must-have), medium (intend-to-have), and small (nice-to-have) issues. Most, if not all, deals involve some compromises and are thus imperfect.
- Determine how important remaining issues are.
- Ask yourself whether it would be better to squeeze the last penny out of this deal or to spend that time on another deal.

### 12. Focus on closing.

- Successful negotiators know how to close. They consider every element of closure: time, place, documentation, pending issues.
- When relying on lawyers to draw up the official contract, share the motivations behind the deal with your lawyer to ensure that it captures the deal in letter and spirit.
- Similarly, in internal negotiations, email your understanding of the discussions and agreement reached and get it confirmed by the other party.
- Finally, at the end of every major negotiation, it would be good to perform a review and assess what went well and what you could have done better. This will ensure you keep improving your negotiation skills. ■

**Resource**

**Podcast episode**

"Basic Skills of a Successful Negotiator", *FM* magazine, 4 September 2018

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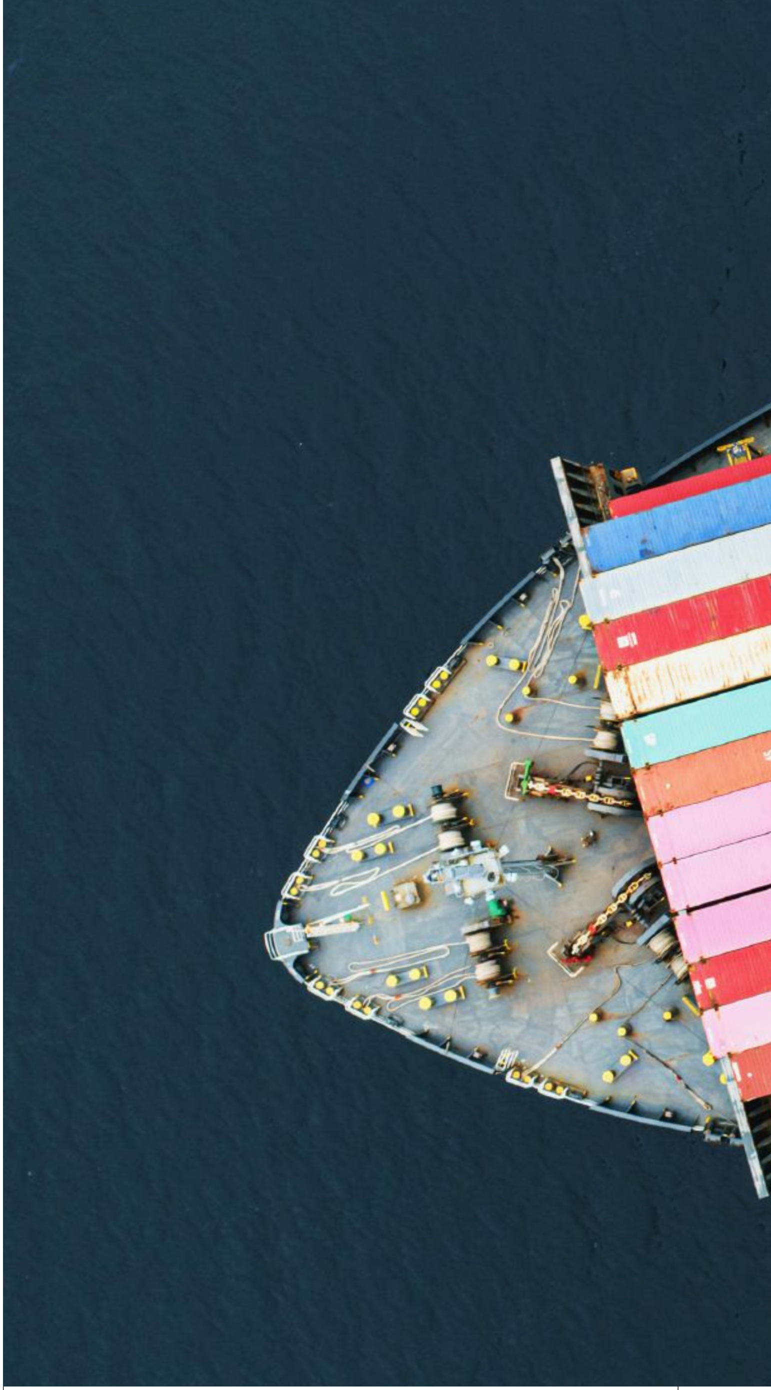


PHOTO BY SHAUNL/ISTOCK

# Untangling the supply chain in East Asia

**A Hong Kong-based expert outlines ways to approach investment in supply chain technology.**

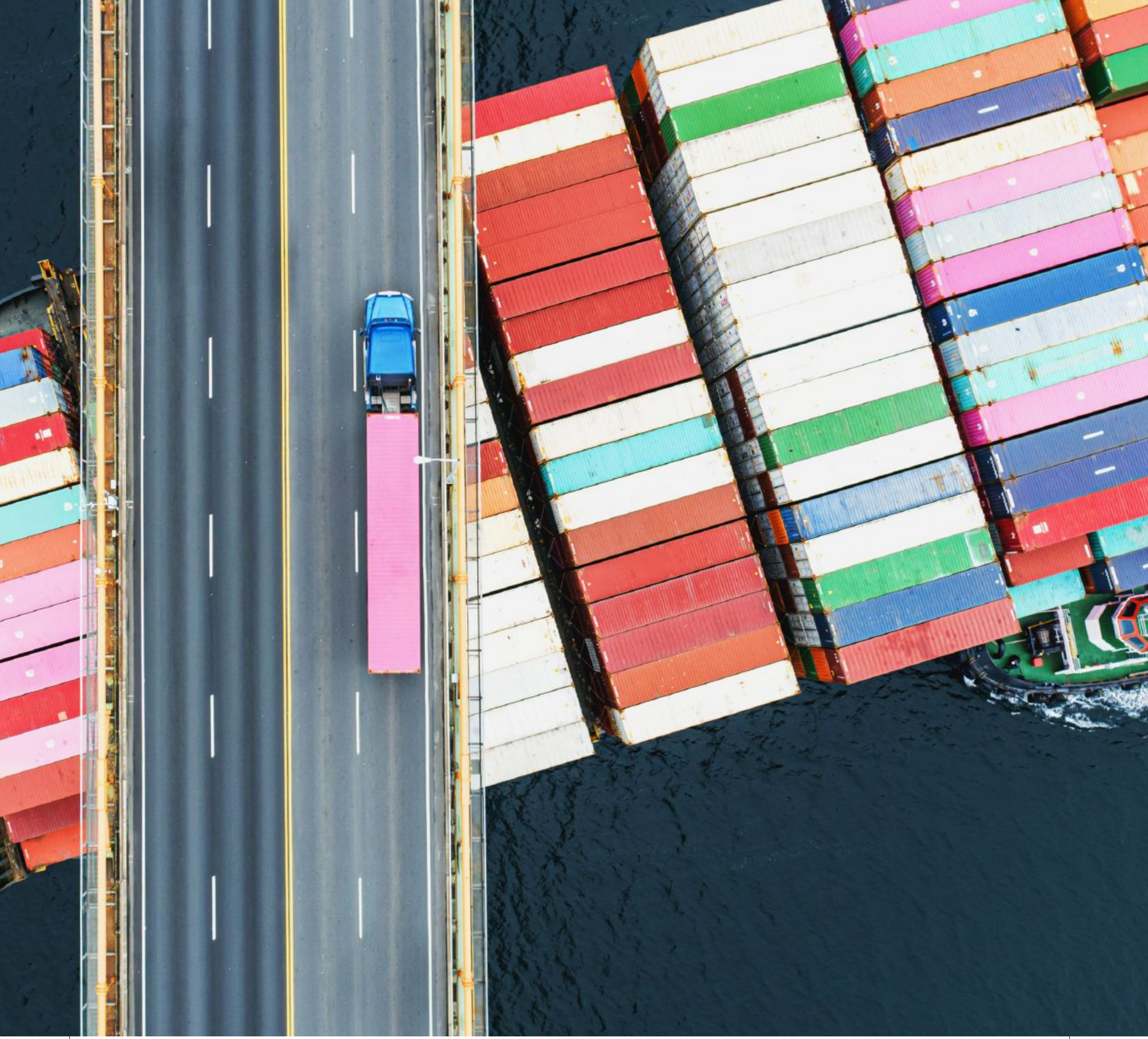
By Andrew Kenney

Ken Lo, FCMA, CGMA, jokes that his career path has been "a little bit interesting". He has experience as a software engineer, an executive in logistics companies, and now a management consultant for EY.

But this unusual skillset also has prepared him for a tough, urgent job: helping companies reinvent their supply chains in response to ongoing disruptions.

"IT and logistics are a perfect match. We know that logistics and the supply chain produce a lot of data and information — and IT solutions can help make decisions about that data more efficiently," explained Lo, who lives and works in Hong Kong.

In a recent conversation with *FM* magazine, Lo described the supply chain challenges facing his clients and other companies and outlined his approach for finding IT solutions.



*(Editor's note: This interview has been edited for brevity and clarity.)*

**To begin, how would you describe the current state of the supply chain in East Asia?**

**Ken Lo:** I think the supply chain has become very messy, and the supply-demand balance has been lost. I think people didn't expect that the pandemic would last this long — and it was just the starting point of the chaos.

Some of the disruption is coming from changes in the shipping industry. Shipping companies are facing labour shortages. Fewer people want to work on the sea, so shippers are shifting their resources to their most profitable links. Meanwhile, demand on those routes is getting higher and higher.

And, finally, charges for cross-border deliveries are at a record high for the last 30 years. In some areas, they are 20 times higher. It's also complicated because some manufacturing is shifting to Southeast Asia, especially Vietnam — so logistics is no longer looking at a single country of origin. It also has to consider shipping out from other origins.

**Please tell us about your work. What types of projects and what sectors are your focus?**

**Lo:** Currently, I'm at EY in a consulting role, and my key area is focusing on the e-commerce- and logistics-related projects. My background includes operations, IT, and analytical — so it's like a mixture of that.

For example, one client might be a buying office that has faced supply chain chaos in these two years, which has created a lot of instability and irregularity in terms of their shipments. They want to upgrade their current systems to help them do better planning and let them be more agile. So, we would help them to evaluate solutions in terms of IT and operation procedures.

**What kinds of questions and challenges are you hearing about from clients?**

**Lo:** I think that most clients have a similar situation. In the past, their operation model was pretty stable. They could manage everything. However, the pandemic created a lot of chaos and uncertainty. They are very frustrated, but it's very difficult to get an immediate solution. Once the chaos comes, they cannot handle it with their current manpower and systems.

**Can you explain what IT solutions can do for a company's supply chain?**

**Lo:** This kind of solution can help them to have better end-to-end supply chain visibility — that's the key point. An analytic solution can give them some more evidence to make the decision. Nobody has their crystal ball, right? They need something to help them make the right decision, at the right time. I think these kinds of data and analytic solutions can definitely help them to make the best decision.

**Are we mostly talking about keeping track of products as they are shipped?**

**Lo:** Not necessarily. If they integrate their ERP [enterprise resource planning] system, companies can also keep track of production, materials, and suppliers. An IT solution can help a company to see how much inventory they should produce. Analytics is not only for logistics, but also is end to end, from their suppliers to their production to their warehouse inventory. They need all these kinds of things to be connected together.

**Where should finance be focusing its supply chain tech investments? What is the best way to get results?**

**Lo:** For this question, it depends on the business nature of the individual organisation. Say if an organisation is a purchasing office — then they should focus on the supply chain technology in procurement, sourcing, sales, and operations planning and the like.

> **'You have to consider the business needs that might have changed after the pandemic. So, no one single technology can fit all.'**
>
> Ken Lo, FCMA, CGMA, a management consultant for EY

Moreover, environmental change can be another factor in selecting the technology focus. You have to consider the business needs that might have changed after the pandemic. So, no one single technology can fit all.

The best way to get results from supply chain tech investment is by measuring a KPIs matrix, before and after adopting the technology, on a regular basis.

**What kind of questions would you encourage clients to ask before launching a supply chain project?**

**Lo:** I think the goal of all solutions, whether it's IT or not, is ultimately to help the business see and address their business failings. So, the first question is, what is the pain point of the business? What kinds of problems are they facing, and what's their priority — which one do they want to solve first? They also should be asking about the savings a solution could provide or whether it can mitigate risks.

**What are some common mistakes that companies make on these projects?**

**Lo:** They might make mistakes such as selecting the wrong technology or mismatching the business needs in an organisation. Or, if the project scale is too large, it creates big hurdles during the implementation, ultimately impacting the overall ROI of the technology implementation.

**What kinds of personal skills are helpful as finance leaders take on supply chain and logistics challenges?**

**Lo:** Besides his or her original expertise in the finance or accounting world, I think technology is the key. No matter what function they're working in, it's very good for candidates to have the ability to understand and learn the latest technology. Perhaps they understand a bit about programming, so they can understand the importance of data for producing insights. I'm especially interested in how much they like to embrace the new technology and whether they're able to learn and use new skills.

Since introducing new technology into supply chain management can be a relatively big investment in most organisations, it needs to justify such investment by balancing the return on investment. Therefore, the CFO or finance people are the right ones to consider financial figures and projected values that the new technology could bring to the organisation.

**Lastly, do you think that the current supply chain disruptions are a temporary result of the pandemic, or are we looking at a long-term structural challenge?**

**Lo:** It's hard to say. In different parts of the world, they'll have different policies and feelings about this pandemic. We don't know when things will be "back to normal". Eventually, it will happen — people will find a way. But some changes may be forever.

I don't know what will happen, but technology will be one of the key, critical success factors. The disaster has lasted quite long when compared to some significant disasters before. This definitely will alert business leaders about the need to make their operations sustainable — and technology is the thing they will have to embrace. ■

*Andrew Kenney is a freelance writer based in the US. To comment on this article or to suggest an idea for another article, contact Drew Adamek at Andrew.Adamek@aicpa-cima.com.*

**Kristen B. Sullivan**
**Sustainability and ESG Services Leader**
Deloitte & Touche LLP

Kristen B. Sullivan is a partner with Deloitte & Touche LLP and leads Sustainability and ESG Services, working with clients to help address their sustainability and nonfinancial disclosure strategy needs. She also serves as the Deloitte Touche Tohmatsu Limited's Global Audit & Assurance Sustainability and Climate Services Leader and the Integrated Reporting Community Practice Leader.

# Integrating ESG into business processes

**Q How has the environmental, social, and governance (ESG) landscape evolved this past year?**

**A** A shifting view of corporate purpose and a recognition that there is clear value derived when companies proactively identify and manage performance of relevant environmental and social-related impacts have created unprecedented demand for transparency and accountability. Growing expectations for consistent, reliable, and transparent ESG and climate-related disclosures are being driven by investor demand, stakeholder pressure, and regulatory attention. Regulatory bodies have recognized the growing importance of ESG and climate-related disclosures with proposed rulemaking taking shape in the United States, the European Union, and other parts of the world. Investor attention continues to mount around meaningful corporate action related to broad ESG matters, with the focus increasingly shifting to the financial relevance of climate-related risks and how the audited financial statements reflect the financial impact of climate-related risks.

**Q Why is it important for companies to establish an integrated approach to ESG impacts?**

**A** ESG impacts and dependencies can no longer be a set of activities that are managed in a way that is disconnected from the business or managed by only one part of the organization. Innovating new products and services with ESG attributes to capture market share and meet changing customer expectations requires a talent model with the necessary ESG skill sets and incentives to drive the strategy. These considerations need to be embedded into the way the company is organized, including aligning ESG factors to broader enterprise risk considerations and strategic allocation of resources. This integration of ESG factors helps companies gain more timely insights into emerging risks and the strategic choices that will allow them to continue to drive value through ESG.

**Q What are the key considerations for companies that implement ESG initiatives?**

**A** As the regulatory regime and standard-setting landscape take shape, there will be a growing emphasis on ESG governance and an effective control environment. Key actions for companies include establishing or refining ESG governance; enhancing controls over ESG reporting; preparing for accelerated reporting timelines; obtaining or increasing the level of assurance over ESG and climate-related information; aligning disclosures with standards and frameworks toward SEC disclosure readiness; and considering ESG-related implications to financial statement line items.

# INSTITUTE NEWS

IMAGE BY MICROSTOCKHUB/ISTOCK

## AICPA & CIMA sustainability brief: Accounting for Carbon

The second in a series of four AICPA & CIMA "Accounting for" briefs is *Accounting for Carbon*.

Carbon accounting is a general, shorthand term that includes the measurement of greenhouse gases emitted by an organisation. This brief is designed to help finance professionals build their climate change literacy, allowing their organisations, firms, and clients to adapt new business models and reduce their carbon footprints.

The brief includes ways to integrate carbon accounting into businesses' long-term decision-making and how to incorporate their low-carbon transition progress into internal and external reporting.

At the UN climate change conference in November 2021 (COP26) many countries presented net-zero carbon pledges and decarbonisation plans that collectively work towards limiting global warming to below 2 degrees Celsius. In order to meet this goal set out in the 2015 Paris Agreement, country pledges must be translated into action by corporates, organisations, and small and midsize enterprises (SMEs) in a global campaign, the Race to Zero. And this is where carbon accounting can help.

In October 2021, AICPA & CIMA joined forces with 12 other accounting bodies to fight climate change by committing to reach a net-zero greenhouse gas emissions target. As progress is made, AICPA & CIMA will share their own — and others' — net-zero journey learning and experience, as examples to support members, their clients, and the wider business community.

The first brief in this series, released in November 2021, explored *Accounting for the Sustainable Development Goals*. A further brief in 2022 will explore the theme of accounting for biodiversity.

# CIMA Canada marks 50th anniversary, receives community impact recognition

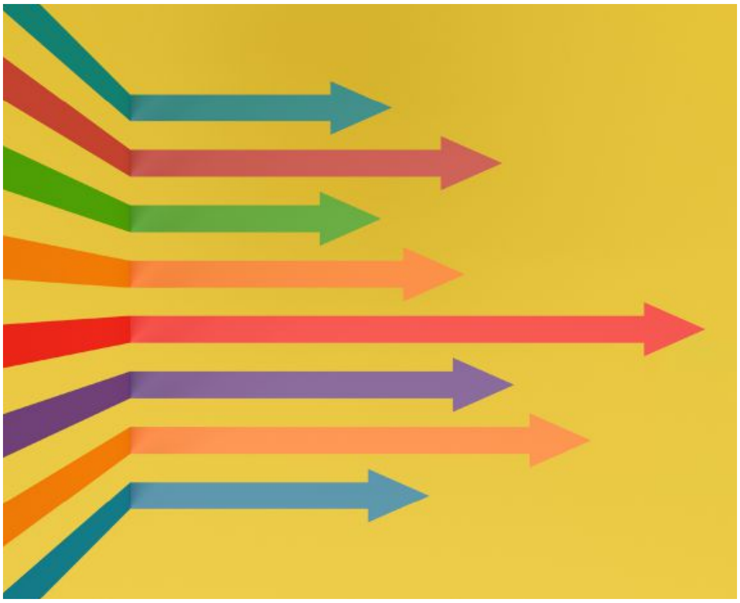
To mark CIMA Canada's 50th anniversary in March, Premier of Ontario province Doug Ford presented the branch's chair, Keren Stephen, FCMA, CGMA, with an anniversary scroll to recognise members' "professional excellence" and volunteer work.

CIMA Canada has a strong commitment to volunteer programmes, including mentoring CIMA members and students and developing over the past decade a school cricket programme that has now become the Ontario Schools Cricket Association. This association is sponsored by Canadian Tire as part of its environmental, social, and governance (ESG) and community impact work.

Stephen said: "CIMA Canada is proud to see the results of the tireless volunteer efforts, leadership, and vision of our members to support young people of Ontario.

"Through these efforts, we have received recognition for the role we play as management accountants in business, the economy, and service to the community."

CIMA Canada Chair Keren Stephen, FCMA, CGMA, (left) receives a 50th anniversary scroll from Ontario Premier Doug Ford.



# Registered Apprenticeship: A new recruitment tool for US accounting and finance teams

The Association has formed a consortium with the National Association of Black Accountants (NABA), colleges, and employers hiring in the Greater Washington, DC, region to increase accounting and finance career opportunities for students from historically underrepresented communities. The consortium will recruit and support students through NABA's Accounting Career Awareness Program (ACAP) and the Association's new Registered Apprenticeship for Finance Business Partners.

ACAP is currently a one-week residential programme for high school students interested in a career in business.

The apprenticeship scheme is designed and registered with the US Department of Labor to provide upskilling — and an edge to US finance teams recruiting in the tight labour market for recent graduates.

Apprentices are enrolled in the Association's Finance Leadership Program after being hired and receive the CGMA designation after completing the programme, passing the exams, and acquiring the required experience. During the apprenticeship, they receive on-the-job training, and the CGMA skills and competencies are brought to life with the support of a mentor.

As part of the consortium, NABA will provide progression support to apprentices, in addition to recruiting potential candidates.

The Association's Registered Apprenticeship is the first programme for accounting at this level in the US.

Apprenticeships are a talent pipeline management tool that allows an organisation to build talent and improve recruitment. Employers recognise that these programmes expand their candidate pool by providing experiences and education that the recruits may not have at the start.

The Association provides "a concierge service" for employers to help them set up and manage their apprenticeships, and a specialist to maximise the employer's eligibility for government funding.

To learn more about the Registered Apprenticeship for Finance Business Partners in the US, email ApprenticesUS@aicpa-cima.com.

BOTTOM LEFT: PHOTO BY VANESSA CASSAR, ACE ENTERTAINMENT; TOP RIGHT: IMAGE BY OLEMEDIA/ISTOCK

# Ukraine invasion squeezes global food supply chain

The war in Ukraine is likely to have long-lasting impacts on world food prices, exacerbating inflationary pressures in a global food supply chain already battered by the COVID-19 pandemic, according to the Food and Agriculture Organization (FAO) of the United Nations. In early March, the FAO predicted that international food and feed prices could jump by more than 22% in 2022. This comes on the heels of a 28% jump in global food prices in 2021. The Organisation for Economic Co-operation and Development estimated in March that the conflict would reduce global GDP growth by 1.08 percentage points and raise global inflation by 2.47 percentage points.

**Soybeans are harvested near Brasília, Brazil. Farmers in Brazil are having trouble getting fertiliser for the next soybean crop after Russia's invasion of Ukraine. Russia is a top supplier of fertiliser.**

PHOTO BY ANDRESSA ANHOLETE/ BLOOMBERG VIA GETTY IMAGES