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CEO Message - WTF is happing in the Accounting World?

Culture, Leadership, Engagement Top HR Challenges for Australia

CMA AUSTRALIA

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CEO Message

WTF is Happening in the Accounting World?

Professor Janek Ratnatunga, CMA, CGBA
CEO, ICMA Australia

In this issue of On-Target, I thought I will highlight some of the bizarre happenings, fiascos and other tit-bits recently reported in the Newspapers relating to our profession.

The two most bizarre are the *Woolworths and Target Fiascos **(WTF).***

Case one was of ***Woolworths*** (supermarket retailer); that took the concept of money laundering and applied it literally.

What happened was that the cost accountants in the laundry detergents industry worked out it could save packaging and space if it delivered laundry detergent in an 'ultra' concentrate form. The trick was to do so without having to cut prices (Durie, 2016).

The danger was that if consumers saw smaller packages on shelves, they might think there was less detergent; and think they should pay less for the smaller packages. This reasoning would especially apply if the smaller packs were placed next to bigger 'less concentrated' ones on an adjoining shelf.

So the detergents manufacturers in Australia (Unilever, Colgate Palmolive and PZ Cussons) came up with a plan to co-ordinate the launch date of the smaller 'ultra' concentrate packs, whilst simultaneously withholding supply of the bigger packs; so that consumers would not know what had happened and would happily pay the same price for the smaller packages because the detergent inside was meant to be twice as strong.

Woolworths the retailer admitted that they knew of these arrangements by the multinational detergent companies and agreed to go along. After all, the accounting numbers showed that everyone was a winner. The retailers saved retail space, the manufacturers saved costs and the environment with small packaging, while consumers were agreeing to pay more for what could have looked like less.

The Australian Competition and Consumer Commission (ACCC) disagreed said it was anti-competitive cartel behavior, and fined the manufacturers and retailers. Woolworths was given a $9 million fine for its part in the cartel.

The extraordinary thing about this case is that the laundry detergents industry tried the same thing in 2002 in Europe, and in 2011, Unilever and Procter and Gamble paid $US457m ($630m) in fines for substantially the same behaviour. These cases attract widespread publicity yet somehow multinational companies either do not talk across borders or believe that if they are caught in one jurisdiction, then they might get away with it in another.

Case two involved ***Target*** (department store) which developed their own version of transfer pricing.

In this case, some Target staff increased the chain's earnings by almost 40 per cent by colluding with suppliers to book extra rebates in return for promises of higher prices (Mitchell, 2016).

Wesfarmers (the owners of Target) and its external auditors, Ernst & Young, commenced an investigation after irregularities with regards to rebates were reported to senior Wesfarmers' executives in March.

After checking about 10,000 emails and interviewing employees, Wesfarmers found that a group of about 10 staff were involved in a scheme to offer about 31 overseas clothing suppliers price rises averaging 4 per cent in the June half in return for extra rebates in the December half. Letters offering price rises were concealed from Wesfarmers and its auditors.

Rather than being booked against the cost of inventory, in line with accounting standards and Wesfarmers' protocols, the rebates were taken to profit, boosting Target's December-half earnings by about $21 million, almost 40 per cent.

Target's earnings before interest and tax would have been $53 million in the December half compared with the $74 million reported, and Wesfarmers' group net profit would have been $15 million, 1.1 per cent, lower than reported.

Wesfarmers said the arrangements had no cash flow implications, as the rebates were not collected but treated as receivables, and would have a negligible impact on full-year results as any benefit would have been unwound in the current half.

A number of senior Target executives have either resigned or been sacked over the accounting scandal as Wesfarmers sought to reassure investors and regulators that the collusion was an isolated event and not a sign of deeper cultural and compliance problems at Australia's largest retailer.

Target's former managing director, Stuart Machin, has said he was not aware of the accounting issues but has accepted his share of the responsibility, given his leadership role, and resigned from Wesfarmers last Friday. Target former finance director Graeme Jenkins had resigned in December 2015 to take a new role as chief financial officer at UK pet care chain 'Pets At Home'. The UK company said that it is no longer hiring him as its new finance officer following an investigation into supplier payments at his former employer, Target.

What's so disappointing for the accounting profession is that people who are well trained and experienced in such matters made a multitude of decisions, probably through an implied pressure they felt to boost short-term earnings, to do something that is mind-blowingly stupid.

Case Three was ***ANZ (***Bank) and its reaction to criticism of its Chief Financial Officer (CFO).

Here a stockbroker with *Bell Potter* (Stockbroking Firm) named Angus Aitken sent a highly amusing note to clients; in which he criticised the appointment of ANZ's new CFO saying that it was one of the "dumber appointments" he has seen. This was based on Aiken's analysis of some of the new CFO's performance in an earlier job as an investment banker; such as recommending *Slater and Gordon (*legal firm) to buy UK professional services outfit Quindell for $1.3 billion in 2015. The shares of Quindell are worth "bugger all" said Aitken in his email. Thus, his advice to clients: "Sell ANZ".

What happened next is just bizarre (Overington, 2016). One of ANZ bank's employees, Paul Edwards, pinned the note to a tweet, saying: "Sexism alive and well in stockbroking?"

Sexism? The new CFO is Michelle Jablko; but the CFOs name or gender was never even mentioned in the email.

Next, for reasons that are truly hard to fathom, ANZ bank's CEO, Shayne Elliott, then "liked" the tweet. After this high level tweet, Aitken got in trouble from his employer, *Bell Potter*, and he has now left the company. Aitken says that his reputation is in ruins; and has sued ANZ bank.

So, what was the bank thinking? Well, it's not that hard to figure out says Overington (2016). The ANZ is having an *annus horribilis*. The share price is slumping. The exposure to Asia is a worry. It's fighting an expensive, ugly case hinged on racism in Melbourne, plus another featuring lap dancers and gold coin in Sydney.

And so when Aitken put his note out to "sell ANZ"; it was just one more blow. The bank panicked, took a turn to what it hoped was the high road, and dug itself in even deeper. Aitken may be rude, and he may even be wrong, but he was not sexist in that email. Apparently, ANZ is set to apologize to Aitken over the sexism claim.

Case Four was ***Rupert Murdoch*** (billionaire media mogul) and his views on Google's tax avoidance.

Rupert Murdoch attacked Google parent's tax deal with the UK, and tweeted that (although) "Google et al broke no tax laws", (it is) "Now paying token amounts for PR purposes. Won't work. Need strong new laws to pay like the rest of us" (Hutton, 2016).

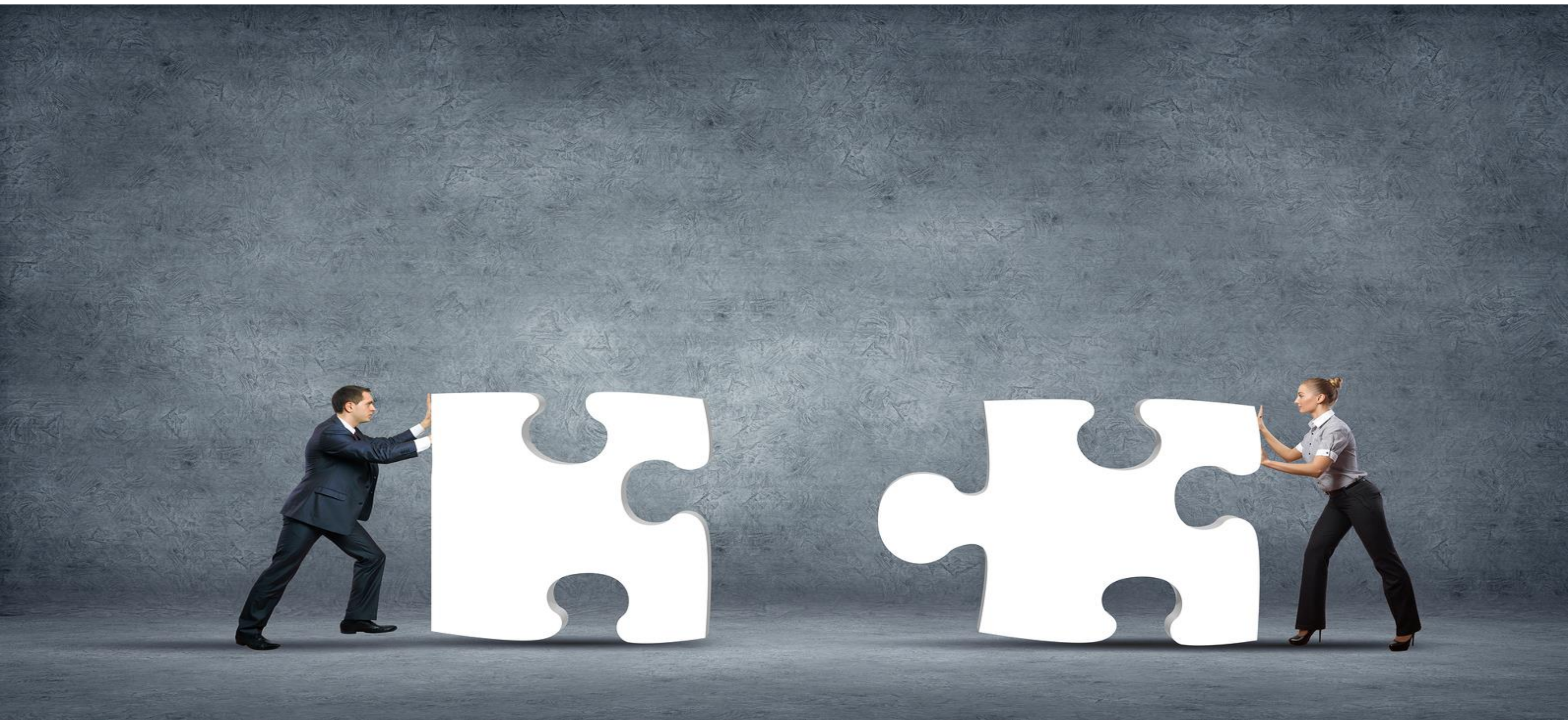
Murdoch was referring to Alphabet (Google's parent) company's agreement to pay £130 million pounds in taxes dating back to 2005.

It is interesting that such a view comes from Rupert Murdoch, whose own company, *News Corp,* had paid a tax rate of 6 percent over the previous four years, according to a 1999 report by The *Economist* magazine. In the UK, it had paid no net tax at all on £1.4 billion of profits made since 1987. In fact, News Corp paid no UK net tax at all between 1987 and 1999; and eight of the 10 media companies that paid no income tax in Australia are linked to the Murdoch family. Murdoch's company has 23 tax haven subsidiaries, according to a 2015 report by *Citizens For Tax Justice*, including three in the Cayman Islands, six in Hong Kong and four in Luxembourg (Hutton, 2016).

Maybe his new wife, model Jerry Hall (former wife of Rolling Stone, Mick Jagger) has made Murdoch ignore the advice of all those highly paid Tax Accountants he has hired in the past; and now he wants to be a better corporate citizen who pays his fair share of taxes.

So is there any 'Good News' stories about accountants?

Case four is about the ***Federal election*** that Australia will be having on July 2, 2016.



“There has never – in the history of this nation – been a more exciting time to be an accountant”, says Australian journalist Annabel Crabb (2016).

She says that it seems increasingly clear that the election battle will be fought over concepts about which most sensible people have no idea, such as ‘Thin capitalisation’.

It appears that Australia is heading for its first thin capitalisation election, in which Labor and the Coalition (the two major political parties in Australia) will do battle over which of them can more convincingly bring multinational companies to heel by fiddling with the amount of debt they can tax-deductibly load into their Australian interests.

Crabb (2016) then poses some of the burning questions of this election, and the answers that are been given by the party spokespersons:

Question: "What do we want?"

Answer: "A reasonable prescribed debt-to-equity ratio for multinationals that ensures a morally defensible degree of taxation return without adversely affecting foreign investment!"

Question: "When do we want it?"

Question: "Just as soon as we've seen the modelling!"

Those who are not accountants, she says, will have to sling a couple of hundred bucks at the nearest CPA to get even a vague feel for what these answers mean.

The other burning issues of this election are: Negative gearing! Reduced income thresholds for superannuation contribution discounts! Taper rates! Bracket creep!

Even Australian government ministers cannot, on occasion, quite work out whether Labor's proposal to fool about with negative gearing will make house prices go up (disaster for house-hunters!) or down (disaster for house-owners!) This is why they settle instead for a blanket warning of generalised disaster and leave it at that.

At social functions, no one flocks round the sports star or fashion model any more. Nor the private detective, the hostage negotiator or the chick who was a producer on MasterChef. Times are tough, and if you can find someone who not only knows what negative gearing is but can have a stab at whether you'd be better off renting or selling or buying or sinking your capital into Cartier watches or just moving to a small unnamed island, then what do you do? Well get an accountant, says Crabb (2016).

She says that there has never been a hotter time to be an accountant!

Professor Janek Ratnatunga, CMA, CGBA

CEO, ICMA Australia

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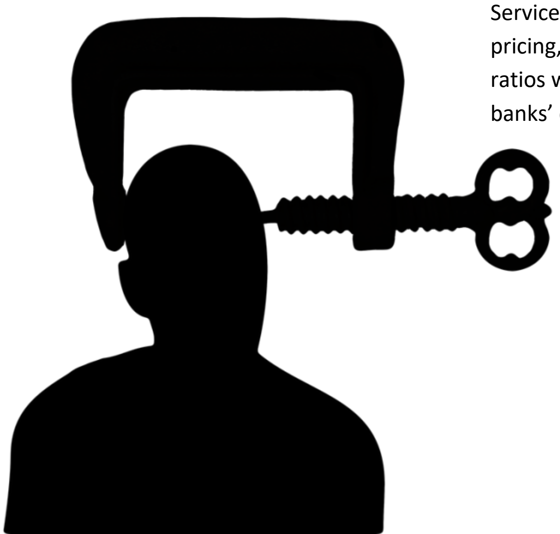
Tougher Conditions and New Capital Requirements Start to Bite

Higher levels of impairment and new regulatory requirements have seen the Australian major banks ('the majors') report a fall in aggregate profits for the first half of 2016. KPMG's Major Australian Banks Half Year Analysis Report 2015-16 finds that the majors reported a cash profit after tax of AU$14.8 billion for the 2016 half year, down 3 percent (compared to the first half of 2015), in the face of increasing non-performing loans and higher liquidity and capital requirements.

Ian Pollari, KPMG's National Head of Banking commented: "Difficult economic and market conditions, coupled with the continued upward trajectory of regulatory capital are now starting to bite for the majors, underpinning a softer half year result."

"The benign credit environment of recent years has begun to deteriorate and could restrain future earnings. However, credit problems are mostly restricted to a handful of institutional credits. Given credit's cyclical nature, it is inevitable that loan impairments would eventually start to rise. What has been a positive driver of results for the industry over recent years is now becoming a slight headwind," Mr Pollari added.

The majors recorded net interest income growth, increasing by 7 percent to AU$30.2 billion in the first half, while non-interest income fell by 3 percent to AU$12.1 billion, mainly due to weaker wealth management and markets income.



The majors have been able to preserve their margins primarily through mortgage re-pricing, offset by higher wholesale funding costs, holdings of liquid assets and the prevailing low interest rate environment. The major banks recorded an average net interest margin of 204 basis points (cash basis), up one basis point compared to the second half of 2015.

Balance sheet momentum slowed in the first half, with housing credit growth of 3.4 percent and non-housing credit flat, rising 0.1 percent.

Mr Pollari added: "In a subdued economic environment, the majors recorded more modest levels of lending and deposit growth, which has enabled them to satisfy a significant proportion of their funding requirements from customer deposits."

Notwithstanding the record low interest rate environment and a further easing announced by the Reserve Bank of Australia earlier this week, challenging market conditions in the mining and resources sector, as well as single name institutional exposures, have seen asset quality deteriorate. The major banks' aggregate charge for bad and doubtful debts increased AU$834 million to AU$2.5 billion in the first half (up 49 percent on 1H15).

Andrew Dickinson, KPMG Partner, Financial Services said: "Continued discipline on pricing, debt serviceability and loan to value ratios will be important to ensure the major banks' credit quality is maintained, particularly if unemployment quickly rises and the housing market sees a more abrupt correction in the future."

The majors' capital position continued to strengthen, with their aggregate Common Equity Tier 1 (CET1) capital ratio rising by 43 basis points over the first half to 10.1 percent of risk-weighted assets (RWAs), reflecting the impact of increased regulatory capital requirements.

Mr Dickinson noted the impact of significantly increased regulatory capital requirements, which saw the majors' returns on equity falling by 153 basis points to an average ROE of 13.8 percent for the half year. This compares to ten years ago when the majors had an average ROE in excess of 20 percent, reflecting the impact of increasing levels of capital over an extended period.

"Industry returns are now bearing the brunt of increasing regulatory capital buffers over the past few years and are set to continue, putting further pressure on the banks' ability to grow and on cost management," he said. "It will also inform their strategic decision-making around what businesses they wish to be in over the medium-to-longer term, exiting low growth, low return and capital intensive products and markets," Mr Dickinson added.

The average cost-to-income ratio increased by 194 bps across the majors to an average of 44.6 percent. The relatively faster growth of operating expenses compared to revenues can be directly attributed to the need for banks to continue to invest in meeting regulatory compliance obligations and enhancing their digital capabilities.

Mr Pollari concluded: "Looking ahead, an operating environment which foresees a combination of further increasing capital levels, rising loan losses, weaker demand for credit and continued downward pressure on returns will force the majors heighten their focus on productivity and capital efficiency measures."

The Chief Financial Officer: From Guardian of Strategy to Catalyst for Change

The role of the CFO has evolved in recent years into a function fully involved in the definition and implementation of company strategy.

Current trends and developments such as global changing markets make chief financial officers and other financial leaders central to a company's ability to change and adapt.

The traditional remit of the CFO has become more complex as financial management, accounting and control have become more global and interconnected.

What is the evolving impact of the CFO on corporate strategy?

Many CFOs have secured new responsibilities in areas such as IT, legal, HR and procurement. Modern-day CFOs have not only expanded their functional scope, they now also increasingly drive changes that impact the organisation as a whole.

Whereas for a long time CFOs were the guardians of corporate strategy implementation, they now are a powerful force in defining the strategy as well.

In all this, CFOs must ensure that initiatives are aligned with strategic guidelines and constantly contribute towards the business objectives. As the scale and scope of their responsibilities have been extended, most successful professionals are now fully aware of their pivotal role in corporate success.

What skills do successful CFOs possess?

A CFO today needs to offer a diversity of skills: financial theory, practice and techniques; social, language and communication skills; and also flexibility. CFOs also must demonstrate a strong ability to understand business strategies in order to contribute to all areas of the organisation, with many acting as catalysts and steering strategy development and implementation.

The most successful CFOs are those who combine such financial skills together with strong leadership and business acumen.

How bright are the CFO's career prospects?

The role of CFO is gaining in standing as a career ambition. Once finance leadership was widely regarded as a stepping-stone to the role of chief executive officer. Today, financial leaders are strengthening their position in their own right.

After all, the complex decisions they make regarding globalisation, off-shoring variance of tax regulations and so on can make or break a company. Their growing involvement in shareholders' meetings, investor relations and corporate strategy highlights this development.

Assuming greater responsibility for company steward- ship brings closer ties with company owners, especially in privately owned companies, where CFOs hold a position of great trust and influence.

With these changes in mind, it is conceivable that the CFO could ultimately supersede the CEO as the most important C-level position, making aspiring to the role of CFO a career ambition for young professionals. Yet, those CFOs who eventually become CEOs will be able to capitalise on their career experience to date. To be ultimately successful as CEOs, former CFOs must be able to focus on talent, especially on how to attract, manage and retain top talent. Having had a wideand diverse exposure to international management challenges on top of strictly financial management roles will therefore be a key asset.

How does the CFO steer change?

Historically, financial leaders in general and CFOs in particular were often content to manage the status quo within the company and to implement the policies set by the CEO.

Now, CFOs increasingly act as change leaders, taking on a strategic role as they drive their own strategic initiatives within the finance organisation and across the company as a whole.

While change management remains a key priority in business today, CFOs are increasingly taking on this responsibility as a result of the great cost implications involved. In addition to building relations, identifying opportunities, minimising risk and improving long-term business performance, the CFO adds global scope to their repertoire. Two of the CFO's main duties are to reduce costs and improve efficiency, two essential elements of finance transformation and a catalyst for business change.

Restructuring processes and organisations remains another key focus for financial leaders. There is a noted rise in those who are implementing outsourcing, centralisation and shared services. Identifying this change is only one part of the puzzle. Aligning this focus with strategic priorities within the business can be a challenge where the CFO will take the leading role. Pioneering and prioritising change within the business highlight the complexity of the CFO's role: he or she has to be responsive and ever adapting to a changing business landscape.

Key takeaways

• CFOs increasingly drive change that has a wide ranging impact on the business

• The focus for CFOs is no longer solely on implementing corporate strategy but also on defining strategy

• The key to CFO success is to offer a combination of financial skills, strong leadership and business acumen

• The role of CFO is becoming a career aspiration in its own right rather than a springboard to the post of CEO

MANAGEMENT ACCOUNTING HALL *of* FAME 2016

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Individuals are inducted to the Halls of Fame in recognition of their significant contribution to the profession in the following regions of ICMA: *Australia; Hong Kong; Cambodia; China; Cyprus; India, Indonesia; Iran; Lebanon; Malaysia; PNG; Philippines; Sri Lanka, UAE, UK, USA and Vietnam.*

Those nominated for the Award need not be ICMA members, but they must be nominated by a financial member of ICMA.

Call for Nominations

The Accounting Hall of Fame®

is a general award open to all accountants, CFOs etc., Financial and Managerial. There will be an academic and practitioner award in this category.

The Management Accounting Hall of Fame®

is an award open only to managerial accountants, CFOs, Strategy Analysts etc. (i.e. those NOT DOING compliance work). There will be an academic and practitioner award in this category.

There will be 4 Hall of Fame Awards in each country.

Selection Committee comprises of the founder members of ICMA:

Mr Willian Dix, AO; Former Chairman of Ford Australia and Qantas

Professor John Miller, AO; Former President of the Confederation of Asian and Pacific Accountants (CAPA)

Emeritus Fellow, Professor Leon Duval, Founder President of ICMA

Professor Janek Ratnatunga; Former Chair of Business Accounting, Monash University; and CEO of ICMA

Please Email Nominations (Nominees name; Nominees email and One-page write-up) to:

nominations@accountinghalloffame.org

Culture, Leadership, Engagement Top HR Challenges for Australia

Australian businesses are bucking global trends when it comes to human capital, according to a new Deloitte survey report, ***Global Human Capital Trends 2016: The new organisation. Different by design***.

The critical need to redesign the organisational structure to meet global demands has been identified by business and HR leaders as the top global trend in what is one of the largest ever global studies of workforce, leadership and HR challenges.

Yet for Australian businesses, this is not the case.

Organisational design ranked fourth in Australia, behind culture, leadership and engagement. Despite being identified as a priority by 92% of respondents globally, only 87% of Australian respondents saw organisational design as 'very important' or 'important', behind leadership (94%), culture (94%) and engagement (88%).

"The shake-up of traditional organisational structures is a global experience, but for Australian companies this is being fuelled by challenges to leadership hierarchies, digital disruption and the emergence of the employee experience, rather than a proactive desire to redesign," says David Brown, Deloitte Human Capital lead.

"Businesses both here and globally are going to have to adapt quickly to the rapidly evolving business eco-system, whatever the trigger, especially with our survey showing that businesses don't in fact believe they are ready to effectively redesign."

The good news for Australia is that despite organisational design not being the top priority, businesses are actually prepared, with over 55% of executive level respondents having a 'very good' or 'good' understanding of organisational design, compared to 49% of executive level respondents globally.

Leadership hierarchies being replaced by empowered teams and younger, globally diverse leaders

Deloitte's research highlights that organisational structures are shifting away from functional, hierarchical models towards a network of connected, empowered teams.

"Leadership is a key focus for HR and business leaders in Australia – as evidenced by the survey results," says Brown.

"Traditional leadership hierarchies are being challenged by the future generation of leaders who have expectations and demands around the way they work that just don't align with current structures. They want to see a new model of management."

Deloitte's recent ***Millennial Survey 2016: Winning over the next generation of leaders*** found that almost half of Australia's Millennials expect to leave their organisation in the next two years, citing a perceived lack of leadership skills development and feelings of being overlooked, compounded by larger issues around work/life balance, the desire for flexibility and a conflict of values.

Culture as a competitive advantage

Changing expectations around ways of working also impacts culture. This is especially significant when these changes are being driven by Millennials, who will make up around 75% of the global workforce by 2025. With culture ranked as the top priority for Australian businesses, it is unsurprising that over half of executive leader respondents believe that leadership teams see culture ('to a great extent') as a potential competitive advantage, with 74% recognising that changing demographics and talent markets are driving this change.

"We're seeing leadership teams place far greater value on culture as a strategic driver, more so in Australia than globally," says Brown. "But we must ensure that this emphasis at the top flows through the entire organisation, as our survey results show that the rest of the business is not recognising the importance being placed on culture by their leadership."

Technology, business disruption and the employee experience

Going hand-in-hand with shifting demographics and cultural change is employee engagement. Identified by Australian respondents as a top priority, employees are being put at the centre with digital HR tools and services, employee empowered learning and engagement and retention programs.

"Digital disruption is not only changing the way we work but also the way we interact with employees and the experience they have with their organisation," says Brown. "HR leaders are turning to digital means to enhance the employee experience, with 39% of Australian executive level survey respondents advising that they are currently redesigning their HR capabilities, and 48% are considering changes.

"Employees are increasingly being put in charge of their own learning and development, with forward-thinking organisations implementing open learning technologies. As traditional organisational structures are broken down and the way we work changes, we also need to adapt how and what we learn.

"A new generation of tech savvy professionals, hungry to develop their skills and progress more quickly to leadership roles, will pounce on these innovations and in turn create stronger, more competitive organisations."

10 Ways to Be More Active During the Work Day

We're sitting too much and it's dangerous. The average American spends more than seven hours sitting every day, and the more time you sit, the higher your risk of serious, potentially life-threatening health problems such as obesity, type 2 diabetes and heart disease. So, what can you do about it?

Fortunately, there are simple changes you can make during the day – anywhere, even at the work place – to improve your wellness and reduce your risk of type 2 diabetes. As part of the American Diabetes Association's(R) Wellness Lives Here(SM) initiative, the Association encourages everyone to get active for National Get Fit Don't Sit Day(SM) with these 10 tips for the workplace and beyond.

Park a few blocks away from the office each morning and walk to work.

This allows you to start off your mornings energized and ready to take on the workday. If you take public transportation, get off one stop earlier to squeeze in some light exercise before 8 a.m.

Take the stairs instead of the elevator.

Waiting for the elevator often takes just as long as walking up the stairs, so why not use this opportunity to get your heart rate up? Plus, you'll get the chance to work your leg muscles.

Get up and move around the office once every 90 minutes.

When you're nose-deep in work, it's easy to lose track of time. Set up reminders on your phone or email every 60-90 minutes to get up and do a quick lap around the office. You can use this time to fill up your water bottle, go to the bathroom or catch up with co-workers.

Ask questions and discuss issues face-to-face.

Rather than sending an email every time you have a question, go to your co-worker's office to discuss the issue face-to-face. This gives you a good excuse to get moving and a chance to more effectively hash out solutions in person.

Use your lunch break to move around outside.

So many Americans today work through their lunch break. When possible, take advantage of this time to walk outside and soak in the nice weather. Fresh air and vitamin D are often all you need to stay focused and push through the afternoon slump.

Stand up and stretch.

If you don't have time to walk around the office every 90 minutes, use the opportunity to stand up and stretch instead. Stretching is a great way to increase energy levels, reduce muscle tension and get your body moving.

Pace around the office during conference calls.

Conference calls are the perfect time to be active. Put clients and co-workers on speaker, or use your mobile phone during meetings to move around without any trouble.

Do chair exercises at your desk.

You've been wanting to tone your arms for the summer – why not achieve your goals at the office? When you need a break, do a few reps of chair sits. You can even alternate between chair exercises and push ups!

Hold standing or walking meetings.

Many co-workers will welcome the opportunity to stand and stretch their legs for a moment. If you have a two-person meeting, consider going for a walk.

Fidget when you work.

Small movements and quick exercise breaks add up, especially in a sedentary work place, so challenge yourself to stand, stretch or even tap a foot to bring motion into otherwise still parts of your day. Just remember to keep it professional!

Making a point to move throughout the day puts you on the right track toward wellness. For more ideas on how to increase physical activity and maintain a healthy lifestyle, download the Association's e-tool kit today to incorporate the principles and activities of National Get Fit Don't Sit Day into the workday and beyond.

Corporate Social Responsibility: The Commercial Advantages of Being Ethical

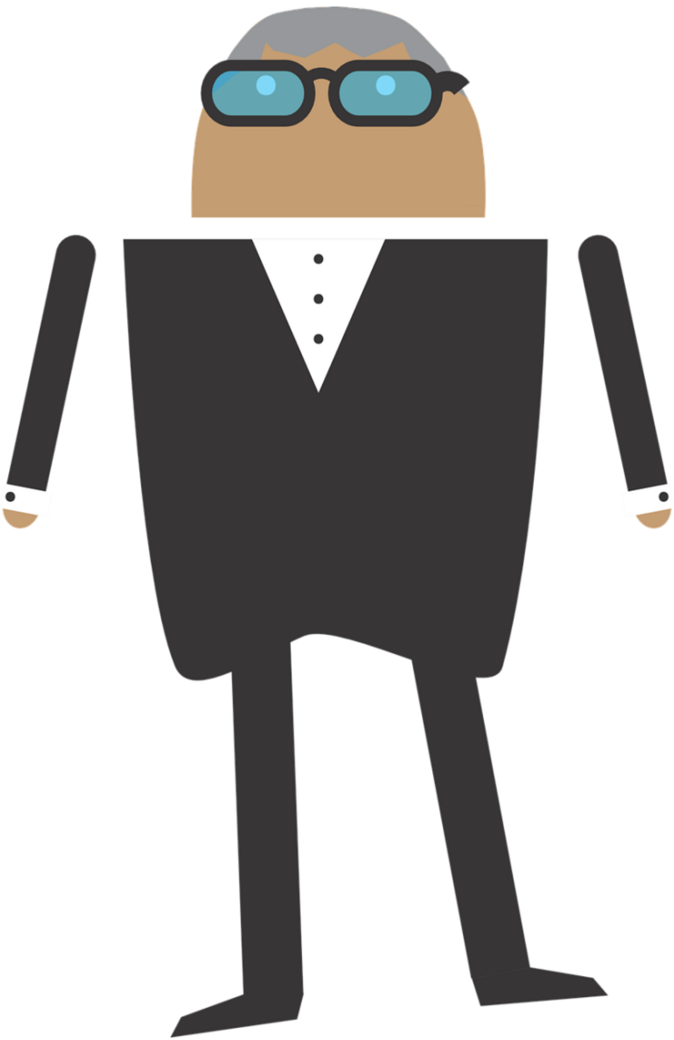
Being socially responsible is not only the right thing to do but helps the company to stand out in a globalised talent market.

Corporate social responsibility (CSR) concerns the thought process that a company's leadership engages in when they think about their responsibility to the people they employ, the markets in which they operate and the communities with which they engage.

It includes creating a congenial workplace and having a diverse and inclusive approach to fostering innovation, while being a great employer and business partner.

What is the key objective of CSR?

The aim of CSR is to provide the business with a global management perspective, based on the triple bottom line of social, environmental and financial. This framework is also known as the three Ps: people, planet and profit. Managing this mix requires professionals with multidisciplinary skills.



Responsible management helps in preventing issues affecting corporate reputation, in anticipating regulatory risks and in meeting the demands of specialist interest groups. This, in turn, ultimately reduces costs.

Responsible, transparent leaders inspire confidence in employees, customers, investors and partners alike. Within the workforce, employee loyalty improves, productivity increases and it becomes easier to attract top talent.

How has CSR evolved and at what point do companies recognise it as important?

CSR has advanced over the past ten years. Companies are already sensitised to the issue and have taken steps to comply with their responsibilities. CSR mainly originated in the US as an important item on the corporate agenda for companies wanting to demonstrate their social and societal responsibilities.

While fundraising for societal issues is a fundamental pillar in Anglo-Saxon cultures, this is less so in other areas of the world.

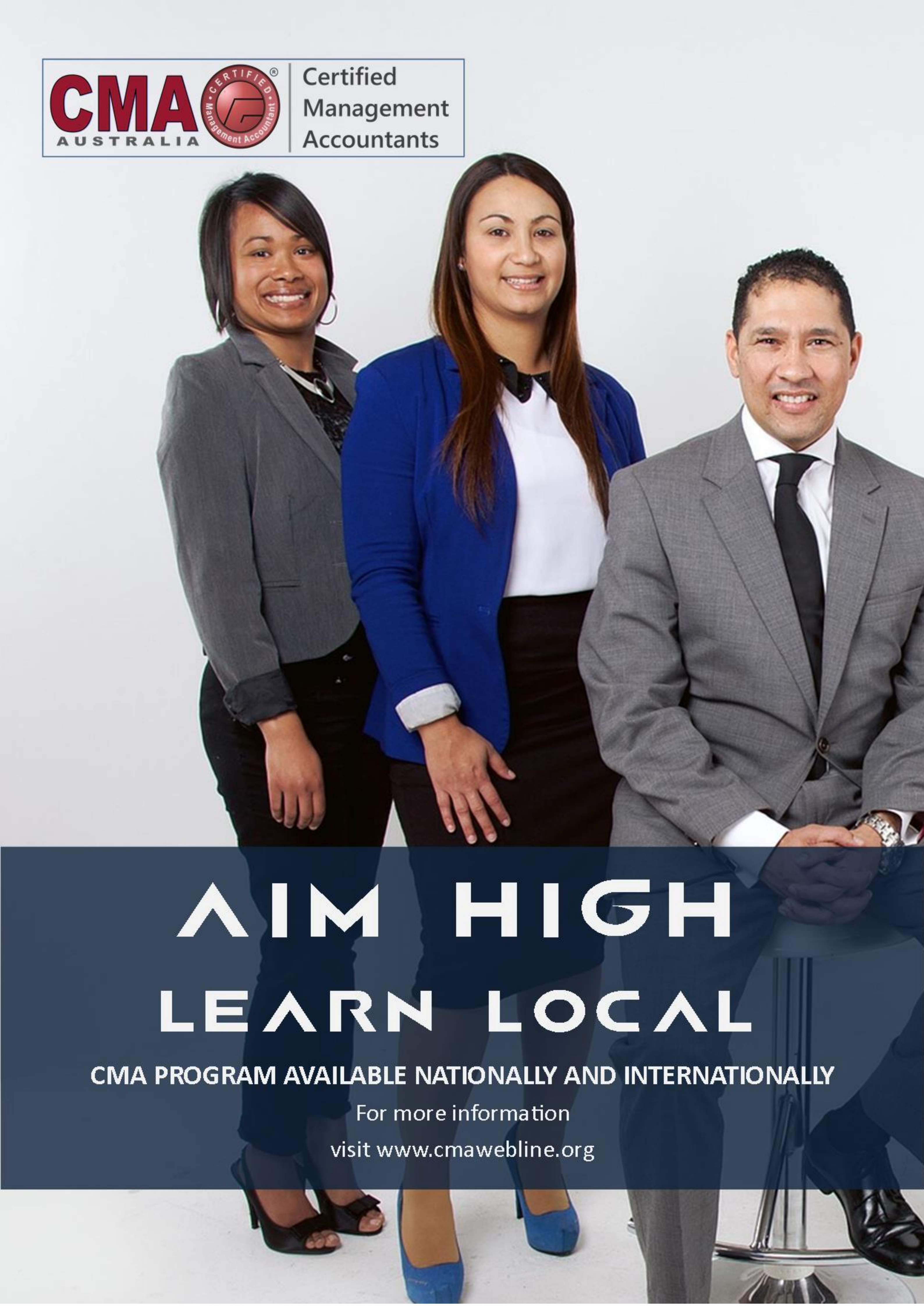
However, the CSR landscape is changing. Globally, organisations are gradually demonstrating their commitment to social initiatives through their CSR programmes, working more and more actively on areas such as diversity and inclusion, and sponsoring directly rather than funding indirectly.

CSR has not only ceased to be questioned: it is well understood by senior management today as an integral part of the corporate culture and contributes to the company strategy.

Furthermore, CSR is an opportunity for value creation. CSR policies generate new opportunities and business lines. In short, they allow companies to differentiate themselves and become more competitive.

Key takeaways

- Simply put, CSR means focusing on the '3 Ps' of people, planet and profit
- A commitment to CSR can help companies to differentiate themselves on the world stage
- Responsible, transparent leaders inspire confidence in external and internal stakeholders
- CSR is now widely accepted as an integral element in corporate culture and strategy.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The 19th CMA program was conducted by Wisdom Institute in Dubai, UAE in April 2016. The program was again facilitated by Professor Janek Ratnatunga, the CEO of ICMA Australia.

It was a lively 7-days of intensive leaning on the strategic issues of management accounting. Once again, the participants were extremely senior professionals from leading companies in the Gulf region including: Stanley Black & Decker; Ducerve Facilities Management; Islamic Development Bank; Style Avenue Dubai; Seven Seas Ship Chandlers; Johnson Controls; Emirates Advanced Investments Group; Bateel International; HCT - Dubai Men's College; Onyx Group of Companies; Gasco; Jiwin Investments; Vision Tomorrow Communications; Lamprell Energy; DEPA Ltd and System Construct.

The picture shows the student group with Professor Ratnatunga celebrating the end of 7-days that many said gave them excellent tools to do their jobs. One student commented that *"I have done many professional courses before, but this course was able to build on my existing knowledge and experience and gave me many strategic insights that were immediately applicable in my work"*.

Indonesia Jakarta Chapter Activities

A CMA intensive program was held at the IPMI international Business School in May 2016. IPMI is the first institute to run the CMA program in Indonesia, starting in the year 2000. The program attracted excellent participation from senior managers from many diverse industries, such as Manufacturing; Telecommunications; Oil and Gas; Consulting, Insurance; Supply Chain and Education.

Pictured are some of the participants giving a ‘thumbs-up” to Professor Janek Ratnatunga, CEO of ICMA who facilitated the program.

Central Indonesia Regional Office

Dr. Intiyas Utami, CMA, the Regional Director for Central Java and the Special Region of Yogyakarta, organised many events during the CEO of ICMA Australia Professor Janek Ratnatunga’s tour of Indonesia in May 2016.

The first event was the signing of a *Memorandum of Understanding (MOU)* between

STIE Perbanas, in Surabaya, Indonesia, and ICMA; to engage in the mutual collaboration of research and practices on management accounting, and to strengthen the bonds of good will and friendship between the two institutions.

This was followed by a 2-day ICMA *“Certificate of Proficiency in Performance Measurement and Valuation”* held at the STIE Perbanas campus. The course was conducted by Dr Rovilla El Maghfiroh, Dr. Intiyas Utami and Prof Janek Ratnatunga.

Pictured from left to right is Dr. Intiyas Utami, Prof Janek Ratnatunga, Mr. Lutfi - Director of STIE Perbanas and Dr. Luciana Spica Almilia - Head of accounting Dept at STIE Perbanas.

Pictured are the participants enjoying some fun-time after a gruelling two days of advanced study.

Next it was off to Jogjakarta, Indonesia, where an ICMA approved *Continuing Professional Development (CPD)* course was held for the *Certified International Business Analyst (CIBA)* program developed by the *Academy of Finance and Management Australia (AFMA).* Pictured are the participants who attended the CIBA course with Prof Janek Ratnatunga, the facilitator.

This was followed by the signing of a Memorandum of Understanding (MOU) between

Diponegoro University of Semarang (Undip) and ICMA; to engage in the mutual collaboration of research and practices on management accounting, and to strengthen the bonds of good will and friendship between the two institutions.

Pictured is Dr. Fuad, the Head of the Accounting Department Diponegoro University in Semarang and Prof Janek Ratnatunga, the CEO of ICMA Australia.

Soon after this was the signing of another Memorandum of Understanding between YKPN School of Economics, in Yogyakarta (STIE YKPN) and ICMA; to engage in the mutual collaboration of research and practices on management accounting, and to strengthen the bonds of goodwill and friendship between the two institutions.

The final event was a CMA Preparatory program that was organised by the *Centre for SMART* (the ICMA Regional Office in Central Java and the Special Region of Yogyakarta) with the support of STIE YKPN. The program was held in the Gadjah Mada University (UGM) campus with trainers from Airlangga University of Surabaya and Gadjah Mada University.

Pictured in the centre are Dr. Intiyas Utami; Prof Janek Ratnatunga and Dr Haryono Subiyakto - Director of STIE YKPN, Yogyakarta. Others in the picture are Dr. Nurofik - Vice of Student Affairs; Dr. Rusmawan; Dr. Efraim Giri - Vice of Director Academic and Dr. Eko Widodo Lo and other academics and staff of STIE YKPN.

Indonesia Branch Activities

A number of events were organised by the ICMA Indonesia Branch to coincide with the visit of Prof Janek Ratnatunga, ICMA CEO to Indonesia.

First, an ad-hoc meeting was held with three members of the Surabaya Chapter of the ICMA Indonesia Branch, to organise activities relating to the 20th anniversary celebrations of ICMA.

Pictured from left to right are Dr. Puji Handayati; Dr. Ana Sopanah the Regional Director for East Java, Prof Janek Ratnatunga; and Dr, Sulis Sulis Rochayatun.

Next a meeting was held with the President of the ICMA Indonesia Branch, Mr Joni Pathibang to discuss Branch matters. Pictured is Professor Janek Ratnatunga Mr Joni Pathibang and Dr. Intiyas Utami.

Finally, another ICMA approved *Continuing Professional Development (CPD)* course was held in Jakarta; for the *Certified International Business Analyst (CIBA)* program developed by the *Academy of Finance and Management Australia (AFMA).*

Pictured are the CPD program being conducted; and some the participants who attended the CIBA course with Prof Janek Ratnatunga, the facilitator.

What's On in the World of the CMA?

- May 9-15, 2016: CMA Preparatory Program, IPMI, Jakarta, Indonesia.
- May 16-17, 2016: Certificate of Proficiency in Performance Management and Valuation, Centre for SMART & STIE PERBANAS, Surabaya Indonesia.
- May 19, 2016: CPD Program: Certified International Business Analyst (CIBA) program for CMAs, organised by the Academy of Finance and Management (AFMA) & the Centre for SMART; Yogyakarta, Indonesia.
- May 20-June 4: CMA Preparatory Program, Centre for SMART & Gadjah Mada University, Yogyakarta, Indonesia.
- May 22, 2016: CPD Program: Certified International Business Analyst (CIBA) program for CMAs, organised by the Academy of Finance and Management (AFMA) & the ICMA Indonesia Branch; Jakarta, Indonesia.
- May 23-29 2016: CMA Preparatory Program, TOP Academy, Kuala Lumpur, Malaysia.
- May, 2016: First CMA Preparatory Program in the Farsi Language, Segal Training Institute, Tehran, Iran.
- October 15-24, 2016: 2nd CMA Preparatory Program, Ruwan Hulugalle and Company, Phnom Penh, Cambodia.
- Oct 26-Nov 3, 2016: CMA Preparatory Program, TOP Academy, Kuala Lumpur, Malaysia.
- Nov 11-19, 2016: CMA Preparatory Program, SMART Education Group, Dubai, UAE.
- Feb 25 – March 5, 2017: CMA Preparatory Program, Academy of Finance, Colombo, Sri Lanka.

Private Providers

Navitas Workforce Solutions, Australia

Wharton Institute of Technology and Science (WITS), Australia

Academy of Professional Education, India

Academy of Finance, Sri Lanka

IPMI (Indonesian Institute for Management Development), Indonesia

Multimedia College (MMC), Malaysia

Business Sense, Inc. Philippines

Smart Education Group, UAE

HBS for Certification and Training, Lebanon

Institute of Professional and Executive Management, Hong Kong

AFA Research and Education, Vietnam

Institute of Finance and Management PNG

TOP Academy, Malaysia

Segal Training Institute, Iran

Centre for SMART, Salatiga, Indonesia

Ruwan Hulugalle & Company, Cambodia

AUSTRALIA

Global Head Office

ICMA Australia

CMA House
Monash Corporate Centre
Unit 5, 20 Duerdin Street
Clayton North, Victoria 3168
Australia
Tel: 61 3 85550358
Fax: 61 3 85550387
Email: info@cmawebline.org
Web: www.cmawebline.org

Australian Contacts

New South Wales
Professor Chris Patel , PhD, CMA
Branch President
Macquarie University

Northern Territory
Professor Lisa McManus, PhD, CMA
Branch President
Charles Darwin University

South Australia
Prof Carol Tilt, PhD, CMA
Branch President
University of South Australia

Western Australia
Dr. Vincent Ken Keang Chong
Branch President
UWA Business School

Queensland
Dr. Gregory Laing, PhD CMA
Branch President
University of the Sunshine Coast

OVERSEAS REGIONAL OFFICES

CHINA (including Hong Kong and Macau)
Prof. Allen Wong, FCMA
Regional Director and Chief Executive - Greater China
12/F, Tai Yip Building, 141 Thomson Road,
Wanchai, Hong Kong Tel: (852) 2574 1555
Fax: (852) 2574 1455
Cell: (852) 9156 7561
Email: info@cmaaustralia.org
allen.wong@cmaaustralia.org

INDIA (Including India, Pakistan, Bangladesh, Nepal and African subcontinent)
Main Regional Office (Mumbai)
Dr. Chintan Bharwada, FCMA
Regional Director - India
Juhu, Mumbai 4000049, MAH, India
Tel +91 8108440817
Website: icmaindia.org
Email: info@cmaindia.co.in

INDONESIA
Special Capital Region (Jakarta) Regional Office
Ms. Arum Indriasari – Jakarta Centre

IPMI Business School
Jl. Rawajati Timur I/1
Kalibata, Jakarta, Indonesia
Tel +62 21 7970419
E-mail : arum.indriasari@ipmi.ac.id

West Java Regional Office
Ms. Paulina Permatasari, FCMA
Regional Director - West Java
Jl. Pagarsih # 156
Bandung, West Java, Indonesia
Email: paulinapssj@gmail.com

East Java Regional Office
Dr. Ana Sopanah, CMA
Regional Director - East Java
GRAHA Inspire
Jalan Cakalang Kavling AURI No 16
Malang, Indonesia
Email: anasopanah@gmail.com

Central Java Regional Office
Dr. Intiyas Utami, CMA
Regional Director - Central Java
Jl. Sinoman Tempel No. 256
Salatiga, Central Java, Indonesia
Email: intiyas@staff.uksw.edu

LEBANON
Mr. Fawaz Hamidi, CMA
Regional Director - Lebanon
Boulevard Centre-136
PO Box 171, Tripoli, Lebanon
Tel: 06-433761
Email: hbs@cmamena.com
www.cmamena.com

MALAYSIA
Mr Raja Hisham, MBA
Deputy Regional Director - East Malaysia
No. 24-2 Jalan BK 5A/2C
47180 Puchong
Selangor, Malaysia
Email: rajahisham@top-academy.com.my

PAPUA NEW GUINEA
Dr Thaddeus Kambanei, CMA
Regional Director - PNG
Malagan Haus, Suite 02, Level 2
Section 15, Lot 8, Reke street, Boroko
P.O.Box 1581, Vision City, Waigani
National Capital District, Papua New Guinea
Email: Thaddeus.Kambanei@yahoo.com
http://www.cmapng.com

PHILIPPINES
Mr. Henry Ong, FCMA
Regional Director - Philippines
2502B East Tower Tektite Building
Philippine Stock Exchange Center,
Exchange Road
Ortigas, Pasig City 1600, Philippines
Tel: (+63) 631-6241 or 634-6476
Email: hong@businesssense.com.ph
http://www.cmaphilippines.com

SRI LANKA
Mr Kapila Dodamgoda, CMA
Regional Director - Sri Lanka
No. 3, St Kilda's Lane, Colombo 3, Sri Lanka
Tel: +94 114 515253 or +94 112590113
Email: kapiladodamgoda@yahoo.com
http://www.cmasrilanka.com

UNITED ARAB EMIRATES
Mr. Shakeeb Ahmed, CMA
Regional Director - U.A.E. & GCC Countries
#101, First Floor, Al Shamookh Building
P.O. Box: 7073, UAQFTZ
Dubai, United Arab Emirates
Email: shakeeb@smarteducationgroup.org
Mobile: +971-55-1062083
Website: www.cmadubai.org

CYPRUS
Mr. Christos Ioannou BA (Hons), MBA , CMA
Regional Director-Cyprus
11A Dafnidos 6041, Larnaca, Cyprus
Email: chioanou@cytanet.com.cy

VIETNAM
Mr. Long Phan MBusAcc, CPA, CMA
Regional Director- Vietnam
Level 3, GP Invest Building, 170 La Thanh Street
Dong Da District, Hanoi, Vietnam
Email: longplt@afa.edu.vn

IRAN
Mr. Alireza Sarraf, CMA
Regional Director- Iran
Unit.4, No.3 Koozegar Alley (after Beheshti Str);
Vali-e-asar Str,
Tehran, Iran
Email: sarraf@experform.com

CAMBODIA
Dr Ruwan Hulugalle, CMA
Regional Director - Cambodia
18/F, Canadia Bank Tower
No. 315 Ang Duong Street
Phnom Penh, Cambodia
Email: ruwan.hulugalle@gmail.com
Website: www.cmacambodia.org