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CEO Message: Should Company Executives Get Bonuses for Just Doing Their Job?

Opinion: CMA Transformed My Career

Australian CFOs Ambitious to Aim Higher in Their Career



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AUSTRALIA



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CEO Message

Should Company Executives Get Bonuses for Just Doing Their Job?

At the time of writing this article, I had just finished watching the first Presidential Debate of the American election season between Ms. Hillary Clinton and Mr. Donald Trump. In the early part of the debate, when asked about job creation, Ms. Clinton said that one of her plans to fix the American economy was to ensure that company profits are shared with all the workers in the company, i.e. giving not only senior executives bonuses; but also all those in the company that have toiled hard to achieve the bottom-line profit. Whilst it was not clearly articulated by Ms Clinton in the debate as to how such broad-based profit sharing would create jobs; I presume the logic is that when more people have more disposable income; they will buy more, thus stimulating the economy to produce more goods and services, which will in turn create more jobs.

Mr. Trump was disdainful of this plan, saying that the creation of these additional jobs will not be in the USA, but instead in China, Mexico and other low cost, low tax rate countries. His plan was the opposite of Ms Clinton's; i.e. to cut taxes so that the owners of the business had more of the earned profits in their hand to spur further investment in new businesses, and thus create more jobs. Mr. Trump also said that, reduced company tax rates will encourage more American companies to remain in the USA, rather than relocate their companies (and jobs) to low-tax or no-tax heaven countries. This will, he said, keep jobs in America. He also said he will renegotiate all unfair 'Trade Deals'; where American products are charged import duties in overseas markets; but products from those countries are duty-free in the USA. Mr. Trump said that if American companies still go offshore to take advantage of lower tax rates or cheaper labour rates; then those companies should be charged a countervailing tax (import duties) when they bring back their products and services to the USA for sale.

In their bare elements; Mr Trump's plan is one of 'protectionism' - the practice of shielding a country's domestic industries from foreign competition by taxing imports; whilst Ms. Clinton's plan is one taken straight out of the concept of 'socialism' - where all share equally in work and the fruits of their labour.

In modern companies, both white-collar and blue-collar workers are paid salaries or wages for doing their job. Ms. Clinton says that all should also get a share of the profits. Now many companies have employees profit sharing schemes where an employee receives a certain percentage of the annual profits, and a share of profit if business is sold; or an employee receives a percentage of the improvement in the company's profits and capital value above an agreed base. There are other minor perks such as time-sharing in

holiday homes, free meals, child care. etc. However, there are many companies in which the very senior executives get 'bonuses' running into several million dollars; whilst ordinary workers get very little of the profit share; and that too *after* the big bonuses are paid out, and shareholder returns are quarantined.

On this point, Elizabeth Knight's article titled "*Companies turn bonuses into an art form*" in *The Age*, (on Saturday October 1, 2016, *Businessday*, p.7) struck a chord with me.

She wrote that in 2013, the chief financial officer at one of Australia's largest companies, Rio Tinto, was paid a handsome bonus beyond his base pay for, among other things, engaging with shareholders and ratings agencies. The following year he was paid a bonus for making new appointments within his finance leadership team and for increasing his level of engagement with investors.

As chief financial officer, surely these duties should fall within his standard list of functions, asks Ms. Knight; because if he didn't hire staff and he didn't talk to shareholders, Rio Tinto couldn't function as a major listed company. Ms. Knight states that whilst the senior executive above is a highly capable chief financial officer - giving him a bonus *for just doing his job* properly looks disingenuous.

This is by no means an isolated example. Large listed companies have made bonuses an art form; by developing new and sometimes bizarre criteria for awarding senior executives money beyond their base pay - and all too often for them simply doing their jobs. Ms. Knight states that companies have made a farce of the notion of a performance bonus being a reward for achievements well beyond their peers, or the parameters of their jobs, either financially or in some other respect. Instead, it has become an 'entitlement'.

For example, the chief executive of Dexus Property Group in 2016 was awarded a bonus on the basis he was role model on *values, leadership behaviours, collaboration and inclusiveness*. This was because he was an "Active member of Property Male Champions of Change, a Property Council of Australia initiative to drive diversity in the property industry. (The) CEO is Chair of the Corporate Responsibility, Inclusion & Diversity Committee, which was involved in establishing five wellbeing communities across the Group".



Professor Janek Ratnatunga, CMA, CGBA
CEO, ICMA Australia

Ms. Knight states that whilst this CEO's involvements above are laudable; being paid a bonus for being a was role model on values seems strange. I would tend to agree.

Meanwhile the chief executive of one of the big four banks was given a bonus for adhering to the company's risk appetite statement. One would think that would be a core part of his job - i.e. risk management, states Ms. Knight.

This year, the criteria boards use to measure management eligibility for bonuses is the issue in vogue. And it is no coincidence that this issue has reared its head in a year of lackluster corporate profit growth. With annual shareholder meeting season underway - which provides that once-in-a-year forum that affords shareholders the opportunity to have a say and a vote (non-binding as it is) on executive remuneration - the quantum of managers' pay packets and how they are calculated is back in focus.

And there is a view that boards are using performance-based bonuses to game the executive pay system - using any number of spurious measures to deliver a big packet to senior management using the guise of outstanding performance. Among the largest 100 companies, on average their top executives are getting only one third of their pay packet from their base pay, another third from short term bonus and the remainder from long term incentives.

The chief executives of these firms make on average around \$2 million in base pay, but can triple what they pocket each year in pay from long term and short term incentive bonuses.

And of those incentives payments, around 30 to 60 per cent are non-financial awarded for non-financial outcomes.

There is plenty of cynicism around the fact that these benchmarks are difficult, or even impossible, to measure. But that is not necessarily the case. For example, the most popular criteria are health and safety - which is easily measurable, and customer satisfaction which is also clearly quantifiable.

"The problem is not so much that non-financial hurdles are soft, or that they sometimes reward executives simply for doing their jobs - the real problem is that at too many companies' executive bonuses, based on financial or non-financial criteria, are an entitlement and not a reward for performance" says Martin Lawrence from Proxy advisory group, Ownership Matters. His point is that boards need to be hard markers when it comes to assessing the performance of scores of executives, particularly given the non-measurable elements of a bonus relies on a board's discretion.



Ms. Knight concludes that "If receiving these bonuses is simply a default position for an executive that has done nothing more than *not screw up*, then they are tantamount to - as one commentator called it - base pay in drag".

Therefore Ms. Clinton, your plan to create more jobs by profit sharing with all workers is not implementable in the current economic environment. Once the senior executives get their exorbitant bonuses as an 'entitlement' for just doing their job; there is not much profit left for the other more junior workers; as the shareholders also need to get their expected returns.

Professor Janek Ratnatunga, CMA, CGBA

CEO, ICMA Australia



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2016 THE FRONTIERS OF ACCOUNTING SYMPOSIUM

To celebrate the 20th Anniversary of its incorporation in Australia; the **Institute of Certified Management Accountants** is hosting a symposium to discuss the future direction of various themes related to accounting. The speakers are leading academics and professionals who have been asked to provide their views on specific frontier areas of financial reporting, management accounting, governance and sustainability.

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Speakers



Professor Paul Mather is Head of La Trobe Business School. He has held appointments at Monash University, London School of Economics and the University of Liverpool Management School. Prior to becoming an academic, he was with the Melbourne and London offices of PricewaterhouseCoopers.



Professor Janek Ratnatunga is CEO of Institute of Certified Management Accountants. He has held appointments at the University of Melbourne, Monash University and the Australian National University in Australia; and the Universities of Washington, Richmond and Rhode Island in the USA. Prior to his academic career he worked with KPMG.



Craig Edwards is currently Associate Director in Financial Management at KPMG. Formerly he was Divisional Finance Manager Finewrap; Asia Pacific CFO of Standard & Poor's; CFO North Asia for DHL; Divisional Controller at Visy Board and Group Management Accountant for Laporte.



Professor Peter Carey is Head of the Department of Accounting at Deakin University. He has published research in a number of leading academic journals. He is a Chartered Accountant and Registered Company Auditor with work experience in both professional practice and industry.



Professor Nava Subramanian is Professor of Accounting at RMIT university. Her previous appointments were at Griffith University and Deakin University. She is a Foundation Member of the Institute of Certified Management Accountants. She has published widely in scholarly journals and is an Associate editor of the Journal of Applied Management Accounting Research.



Professor Brendan O'Connell is Professor of Accounting at RMIT and also President of the Institute of Certified Management Accountants. He has worked as an analyst and bond dealer with major investment banks and has been employed in leading universities in the US, Australia and Asia including Monash University and the University of Richmond in Virginia.



Leon Duval was formerly, President and CEO of the Institute of Certified Management Accountants. He has held academic positions at Monash University and has over 30 years of professional experience in running successful consultancy practices.



Professor Michael Tse is Global Chairman of the Institute of Certified Management Accountants. Formerly he was President of ICMA in the 2014-2016 period. He is Professor of Accounting at Holmes Institute in Melbourne. His previous appointments were at Monash University and Deakin University.

Date

28th November 2016

Venue

La Trobe University City Campus
360 Collins Street,
Melbourne VIC 3000
Australia

Registration Fee

A\$10.00 (inclusive of GST)
(includes: Morning & Afternoon Coffee/
Tea; Lunch and Symposium Handbook)

Registrations Close on

November 15th 2016

Who Should Attend?

Professional Accountants
(CMA, AMAs, CAs,
CPAs, CIMA, ACCA)
Academic Researchers
Financial Analysts & Controllers
Corporate Auditors
Accounting Standard Setters
Those interested in Sustainability and
Governance

Seminar Organiser

Professor Janek Ratnatunga
**Institute of Certified Management
Accountants**

Phone: +61 3 85550358
Email: janeke@cmaweblines.org



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2016 THE FRONTIERS OF ACCOUNTING SYMPOSIUM

AGENDA

8:45 am

Welcome Address
Prof John Miller, AO, Patron ICMA

9:00 am

"Future of Accounting: Disruption or Opportunity?"
Prof Paul Mather, Head, La Trobe Business School

9:45 am

"Financial Statements and Reports in a Digitized World"
Prof Janek Ratnatunga, CEO ICMA

10:30 am

Networking Opportunity
(Morning Tea/Coffee Break)

11:00 am

"Frontiers in Financial Shared Services"
Mr Craig Edwards, Associate Director - Financial Management, KPMG

11:45 am

"The Future of Reporting Practices of Not for Profits and Charities"
Prof Peter Carey, Head of Accounting
- Deakin University

12:15 pm

"Future of Governance: Strategic Governance"
Prof Nava Subramaniam, RMIT University

1:00 pm

Lunch Break and Presentation of
ICMA Accounting Hall of Fame® and Management Accounting Hall of Fame® Awards

2:00 pm

"The Frontiers of Integrated Reporting"
Prof Brendan O'Connell, RMIT University

2.45 pm

"Management Accounting in the Ambidextrous Firm"
Mr Leon Duval, Emeritus President, ICMA Australia

3:00 pm

Networking Opportunity
(Afternoon Tea/Coffee Break)

3:30 pm

Panel Discussion:
The Future of Accounting Research
Panellists:

Prof Janek Ratnatunga, CEO ICMA Australia;
Prof Brendan O'Connell, President, ICMA Australia;
Mr Leon Duval, Emeritus President, ICMA Australia;
Prof Michael Tse, Global Chairman, ICMA Australia

4:30 pm

End of Symposium

REGISTRATION FEES: Payment Options

ICMA 20th Anniversary Frontiers of Accounting Symposium

AUD\$ 10.00 per attendee

Number of Attendees _____ (Max 5 per Registration)

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Opinion

CMA Transformed My Career

An Accounting Professionals Tribute to ICMA Australia - Dr Chris D'Souza, Honorary Treasurer of ICMA

'When the student is ready the master appears' – is an eastern saying. In the spring of 2004, I was ready to take the next step in my life of learning when Prof. Janek and ICMA Australia appeared in the form of the 7-day CMA course. Strategic Cost Management & Strategic Business Analysis. I do not exaggerate when I say that those seven days transformed my knowledge of Accounting and consequently my career. It is with deep gratitude that I stand before you today to acknowledge and pay tribute to ICMA Australia.



Dr Chris D'Souza, Honorary Treasurer of ICMA

In 2004 I had already had a lot of Accounting education both at the Graduate and post-graduate level over 25 years in the accounting profession. This includes the very tough Indian Chartered Accountancy as well as Masters level studies at Monash University. But the seven-day course of ICMA stands out as I learned more in those seven days than in the previous two decades of Accounting studies. In nearly 4 decades of learning formal & informal CMA stands out as the most powerful educational experience. There is another eastern saying – the teacher and taught together create the teaching. That is what happens to students in the 7-day course – the excellent course material put together by Prof. Janek along with his wealth of experience together with the knowledge and experience of students (most of whom are senior professionals – CFO's & Financial controllers included) creates a powerful and potent learning mechanism.

But amazing as the course was it was just the beginning of my learning in the field. In the decade since then, the knowledge I gained at the course applied in various organizations has helped me grow

that knowledge in the light of experience. My membership with CMA brought me in touch with the then CEO of CMA Australia Dr. Leon Duval who was the Chairman of the Board of the company which appointed me as their management accounting centric CFO. This company had Five Revenue earning Departments across Five Locations across Australia and New Zealand. When I joined the company it was in deep trouble it was making a loss but its financial accounts did not give the management any clue as to the reason for the loss or how to turn the company around. We introduced Activity based Cost Accounting and Management techniques – changed the accounting system from MYOB to Netsuite and within three months were able to provide the Board with accurate department wise location wise reports which helped them to take appropriate action to turn the company around in six months. That was just the beginning – the management with the help of these reports grew the value of the business and a couple of years later was able to sell the business for millions. The Managing Director credited our Management Accounting reporting with this turnaround.

In over four decades in the accounting profession I have worn every possible hat the profession has to offer – from Accounting Professor to Auditor to Financial Accountant to Tax Accountant to Financial Controller to CFO. And of all these I must say that Management Accounting is the one that adds maximum value to a business. Therefore, I am in a position to appreciate the importance of Management Accounting and the great work that CMA Australia is doing in spreading this knowledge across the world. I have had the good fortune of being closely associated with CMA Australia for the last 12 years. CMA Australia has played an important role in shaping me as a professional. So today I stand before you to salute all those visionaries responsible for founding this organisation which has had a profound impact on the lives & careers of accounting professionals across the world.

Thank You!

Dr Chris D'Souza

Honorary Treasurer of ICMA



- Changes to the definition of a permanent establishment – a key part of the BEPS agenda – is likely to diminish Australia’s corporate tax base with more of the profits of our major exporters being taxed by overseas revenue authorities.
- Transfer pricing will become ever more complex and there will be increasing tension between China/India and most developed countries on the location of value associated with intellectual property in the future. The debate over whether that taxable value is where the IP is registered or where the goods are increasingly sold (into the Asian middle classes) become more intense.
- While there will be an international move to higher indirect taxes, domestic political difficulties will see Australia with the same low consumption tax base and rate in 2025. This will be further diminished as expenditure patterns change towards increased health, which is substantially GST-free.
- The rise of the ‘gig’ economy – a highly educated group of people globally willing to provide services through the internet for lower cost – will diminish our personal tax base by pushing down our high marginal rates from 49 percent to the mid-40s percent?
- There will be a drive to user-charges as a source of revenue rather than through taxation. This will be politically difficult but technology may assist in ensuring that such charges are more efficiently collected.
 - By 2025, more states will have joined ACT on the path from stamp duty top land taxes. But Australia will continue to resist calls for wealth and estate duty taxes. ‘Sin’ taxes and financial transaction taxes will increase in rates and usage.
- Revenue authorities will have fewer staff but will become far more precise in their targeting and enforcement. They will be have direct access to companies’ General Ledgers (GL) and run various mechanistic and cognitive intelligence-based analyses to test systems controls and precisely target tax risk.
- Tax in 2025 may well see the application of artificial intelligence to the preparation of tax returns. AI may be used to discern the likely tax treatment of GL items within a high range of certainty, based on learning experiences from previous analyses. One of the major changes for the tax function will be the ready availability of relatively sophisticated methods of data analysis.

David Linke said: “While the current community and stakeholder interest in companies’ tax affairs

will have grown still further over the next 10 years, we do hope the political debate will have begun to appreciate the importance of locally based multinationals. They are becoming rarer but produce a disproportionate benefit to our local economy in terms of skills within the corporate function and insights into the geopolitical framework within which the multinational operates. An increasing concern is that we will become too insular in our policy settings to allow our own multinationals to thrive. If this fear is realised, 2025 will see us more like a distribution centre for other multinationals. This would be of concern to retention of talented people in Australia.”

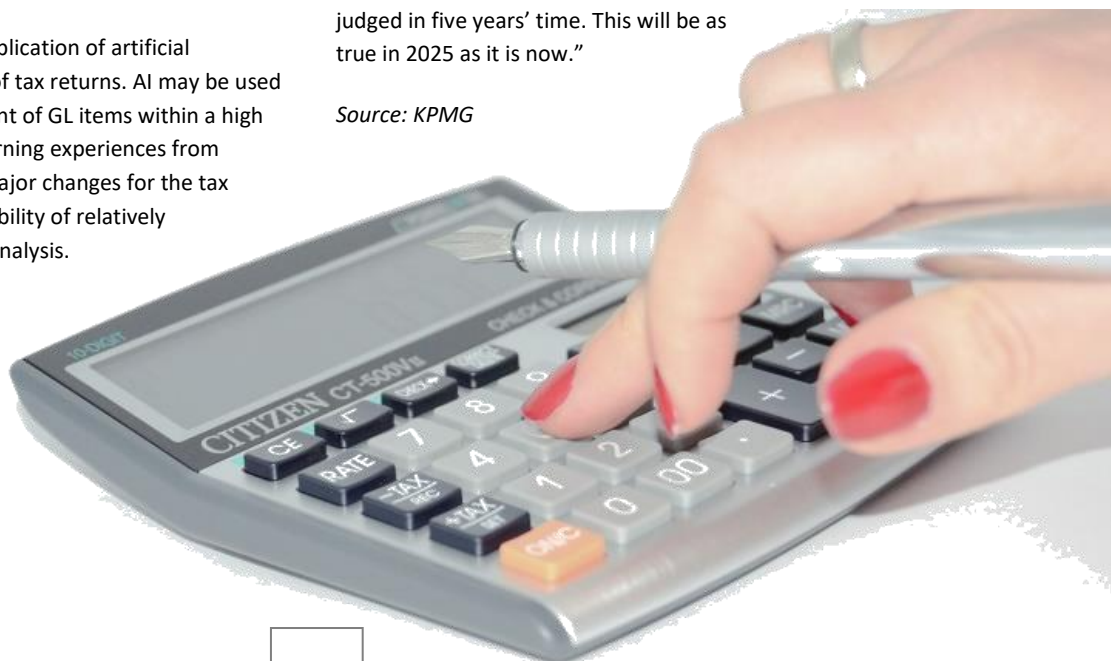
One issue which KPMG sees as increasing in importance by 2025 is generational inequity.

Grant Wardell-Johnson, Head of KPMG Australia Tax Centre said: “Our pensions and tax concessions for retirement incomes are significant and ballooning health expenditure largely benefits the aged. These are largely borne by younger generations. This is exacerbated by our structural deficit which is a borrowing of the current generation from the future. Also the younger generations are unlikely to experience the very substantial rise in wealth experienced by the baby boomers emanating from the increase in property values.

“As a result, there will be rising concern for inter-generational equity. Policymakers will have to respond as the issue becomes more transparent and younger generations become more assertive. This will feed into a broader mindset that people will want to work into their 70s and 80s in the future. Work for older people will be a large, and positive, cultural shift.”

He added: “Tax has always been an art rather than a science, but it will be more so in the future. It will involve a greater number of dilemmas, require balancing a larger number of stakeholders, and in an environment of more substantial technical complexities. An essential feature of being a good tax leader in the future will be good judgment in terms of discerning not only the options and consequences in the current environment, but how they will be judged in five years’ time. This will be as true in 2025 as it is now.”

Source: KPMG



Australian CFOs Ambitious to Aim Higher in Their Career

- Australian CFOs say the key steps needed to reach the next stage of their career are broader experience within their current organisation (49%), international experience (48%), and stronger relationships with internal stakeholders (43%).
- 79% of CFOs say international work experience improves an employee’s chance for promotion.
- 20% of Australian CFOs hope their next career move will be CEO or President of their current organisation – rising to 25% of CFOs working for large organisations[1].

Despite reaching the pinnacle of their career in finance, Australian Chief Financial Officers (CFOs) are ambitious to progress further and are very conscious about their career development. According to an independent survey by specialist recruiter Robert Half, the majority of CFOs believe gaining more experience, in particular overseas work experience, is the key to achieving further career success.

In terms of the essential steps required in achieving the next stage in their career, almost half (49%) of Australian CFOs see gaining broader experience within their current organisation as their top priority. Another 48% of CFOs believe international career experience is crucial to broadening their skillset, followed by building strong relationships and trust with internal stakeholders (43%) and managing a major project or change program (39%).

Interestingly, the majority of finance leaders (79%) say employees within their finance team who have international or overseas work experience improves their chances for a promotion, indicating international experience is one of the most crucial next steps forward for a CFO.

David Jones, Senior Managing Director of Robert Half Asia Pacific said: “It is not surprising CFOs recognise the importance of expanding their experience into international markets and working for overseas firms. This would be mutually beneficial to their business and themselves as the accelerating pace of globalisation and the adoption of international accounting and financial reporting standards are driving demand for senior finance professionals with international experience.”

“In some regions, businesses, trade and commerce operate 24/7, which is why employers are looking for culturally-sensitive professionals with the experience that’s earned from working in

The experience/skills CFOs believe are required for the next step in their career:

	Total	Small	Medium	Large
Gain experience in another part of the organisation	49%	49%	56%	42%
Gain international experience	48%	49%	48%	45%
Build relationships and trust with internal stakeholders	43%	40%	35%	53%
Manage a major project or change program	39%	38%	41%	40%
Build relationships and trust with external stakeholders	38%	47%	31%	34%
Gain more experience in current role	29%	34%	30%	25%
Complete a professional/industry qualification or MBA	14%	4%	20%	17%
Other/don't know	14%	13%	13%	15%

Source: Independent survey commissioned by Robert Half among 160 Australian CFOs and finance directors – multiple answers allowed.

overseas markets. Companies who operate within a global market need finance professionals adept at working with different workplace customs, particularly within Asian business cultures. When given the option of two equally talented job candidates, employers will most likely choose the one with international experience.”

Australian CFOs are also ambitious to move on from purely a financial role. When asked about their next career step, one in five (20%) CFOs say they want to move up to the CEO role in their current organisation. Almost one quarter (23%) of Australian CFOs see themselves in a similar role yet within a larger organisation as their next step, followed by 19% who want to be the Head of a business division other than finance.

Another 14% want to expand their CFO role in their current organisation (e.g. Group CFO) and merely 11% say they don't want to change anything. More than one in ten (11%) plan to retire and only 1% state they want to start their own business.

“Many CFOs see their next career move as running an organisation as CEO, indicating finance leaders have the transferrable skills necessary to make the transition from CFO to CEO. Today’s CFO is not just a finance expert but also a strategic business partner – often encompassing much of the broad skill set required to step into the CEO role,” David Jones added.

“Having an intricate understanding of the organisation’s key finance functions and an informed market view of the broader financial environment can provide CFOs with the business acumen that applies to the job. Our research shows Australian CFOs are ambitious, yet also highlights the CFO position itself is not necessarily their career peak.”

Source: Robert Half

Love Variety? Discover the New World of “Portfolio Careers”

Do you have multiple interests and passions? Do you struggle with narrowing down to just one career option? Or do you strive for more variety and ways to express yourself? Then a portfolio career may be just the thing for you.

Portfolio careers are fast becoming the career path of choice for experienced professionals at a cross roads, single parents and career changers. A portfolio career gives legitimacy to those enterprising people who have diverse talents and want to express them.

What is a portfolio career?

It's the pursuit of more than one income source simultaneously, a mish-mash of traditional employment, contract based work, freelancing, temporary jobs and home-based businesses. It's also a model for allowing flexibility and responding to changes in market conditions and global shifts.

The jobs in your portfolio career don't necessarily have to be in the same industry or utilise the same skill sets. For example ones portfolio could include; part-time work in recruitment; freelance photography; event management contracts and casual teaching at night. The most exciting aspect of creating a portfolio career is that it's an expression of who you are. There are no rules. You decide what it comprises of.

Definition

“To become a portfolio person, we must stop thinking in terms of having or not having a job. We need to take control of our life, make flexibility our credo and develop a portfolio of skills and activities, some for sale and some to be given as gifts.”

Many portfolio careerists create their portfolios using the following three step formula;

1. They establish their “bread and butter income”. This is income that can be relied upon to cover their basic needs. It may or may not be an area they are most passionate about.
2. They pursue income generating products, services or activities in areas they are most passionate about. Initially this income could be minimal however it has potential to generate their desired earnings.
3. They freely accept pro-bono work to give back to the community and assist them with developing their craft and reputation.

How to plan a portfolio career?

Think about those things you have always dreamed of doing but never embarked upon. Take some time now to consider the following;

- What hobbies or other interests could become income generators?
- What work roles have you enjoyed the most?
- What skills do you enjoy using most? For example; design, administration, event coordination.
- What skills and knowledge do you have that others would pay for?
- Where could you volunteer your time in order to test drive a career or develop a skill?
- What do you value most in you work and life? E.g. being outdoors, working in a team, flexible working hours, social environments.
- What professional organisations could you join? Every type of occupation has an association or peak body that offers resources and professional development

How to launch your Portfolio Career!

The best place to start is where you find yourself right now.

Whether you are employed casually, fulltime starting a part-time business or freelancing is a wise first step. As this activity builds momentum and income you could negotiate with your employer to reduce your hours. This way you establish your bread and butter income by keeping your job and you can slowly start adding to your portfolio.

Your portfolio is something that will grow and change over months and years, as opposed to taking on several portfolios at one time. Items will be added and dropped as you go according to your own needs and those of the market.

Perhaps your ideal work situation has eluded you because you never imagined that all your interests could be combined in the one career. Explore and try on the idea of a portfolio career and see if it fits you and your life.

Source: www.career-manage.com.au/

Financial Services and Collaboration Key to Digital Identity and Blockchain Systems

A year-long study involving the world's leading banks has concluded financial institutions hold the key to digital identity management.

Deloitte and the World Economic Forum co-produced two reports, *The future of financial infrastructure: An ambitious look at how blockchain can reshape financial services* and *Disruptive innovation in financial services: A blueprint for digital identity*, as part of the Beyond the Future of Financial Services project, exploring how blockchain and digital identity have potential as foundational enablers of future disruption.

The key finding from the digital identity report articulates there are many players who are capable of driving the creation of a global digital identity system, or at least a national system for Australia, but one player in particular is uniquely well positioned to catalyse the opportunity – financial institutions.

Blockchain “is not a panacea”

Meanwhile within the blockchain report, one of the six key findings reveals distributed ledger technology is one of many technologies, like digital identity, that will form the foundation of next-generation financial services infrastructure.

Source: Deloitte and World Economic Forum co-produced report – The future of financial infrastructure: An ambitious look at how blockchain can reshape financial services

Blockchain has immense potential to drive simplicity and efficiency within financial services, by establishing new infrastructure and processes. But it will be the collaboration of blockchain with digital

identity technology that proves essential in developing their positions as foundational enablers of future disruption.

Jesse McWaters, World Economic Forum's Financial Innovation Lead, says: “We view digital identity as a critical enabler to unlocking the full value of distributed ledger infrastructure. You can implement blockchain without a digital identity standard, but it introduces inefficiency in the system. Blockchain is a foundation that you could build a digital identity standard on, and other applications within a blockchain environment are able to benefit or be turbo-charged by digital identity.”

As another of the key findings from the blockchain report states: “The most impactful distributed ledger technology applications will require deep collaboration between incumbents, innovators, and regulators, adding complexity and delaying implementation.”

Richard Miller, Deloitte Australia's Payments Advisory national lead, says, “There is a call to collaborative action to position Australia for long term success in an increasingly virtualised global financial industry. Unlike the US, Australia has a much more consolidated financial services system with deeper history of collaboration. Given this, Australia could be a good place to trial collaborative system-wide distributed ledger technologies.”

Australia's state of play – how would financial institutions contribute as a key driver?

In comparison to other countries including the US, Australia and its financial institutions have unique characteristics that

provide an advantage to drive the blockchain and digital identity space.

Miller says, “We have a stable and mature government and banking sector with existing strong connectivity between major competitors. We have an advantage in our small market – it means fewer players in terms of winning the space, and we can move faster. We were less affected by the global financial crisis than many other jurisdictions. Our banks are fairly progressive in their internal efforts, making investments globally, understanding the technologies locally and developing their skills with highly advanced user technology. The regulatory system is sound and progressive, as regulators are quite supportive of blockchain and digital identity because it brings additional transparency into transactions.”



Key findings

- 1 DLT has **great potential to drive simplicity and efficiency** through the establishment of new financial services infrastructure and processes
- 2 DLT is **not a panacea**; instead it should be viewed as **one of many technologies** that will form the foundation of **next-generation financial services infrastructure**
- 3 Applications of DLT will **differ by use case**, each **leveraging the technology in different ways** for a diverse range of benefits
- 4 **Digital Identity** is a **critical enabler** to broaden applications to new verticals; **Digital Fiat (legal tender)**, along with other emerging capabilities, has the ability to **amplify benefits**
- 5 The most impactful DLT applications will require **deep collaboration between incumbents, innovators and regulators**, adding complexity and **delaying implementation**
- 6 New financial services infrastructure built on DLT will **redraw processes** and **call into question orthodoxies** that are foundational to today's business models

Concerns around the privacy and cyber security of information in the hands of the government, as raised during the recent Australian Census, helps one understand the advantage the private sector may have in comparison to the public sector, particularly in the digital identity space. The Australian public's sensitivity to privacy and low levels of citizen trust need to be addressed as they are at the core of creating a successful digital identity system – one that enhances user-enablement and the user-experience; essentially to better serve users, make them feel safe, and give them control of their identity data.

Trey Gannon, Deloitte Australia's national lead partner of Identity and Access Management Services, says, "Banks already have access to identity-related data of account holders as part of know your customer (KYC) and anti-money laundering (AML) regulations. This data makes them particularly well placed to provide digital identity services on a large scale. The motivation for banks to participate in this space is obvious too – digital identity will provide banks a more customer-centric focus; potentially providing a new business line as well as opening the door to blockchain; and a way to embed themselves into a world that is being disrupted."

One digital identity system, two sectors, many players: collaboration key

The digital identity report explores how current identity systems have been built in silos as individual entities rather than as

holistic systems. While many efforts are underway to solve parts of the identity challenge and create true digital identity, there is a need – and an enormous opportunity in Australia – for a concerted and coordinated effort to build a truly transformational digital identity system.

"Banks could lead the roll out of a holistic digital identity system for financial services, but they would need the support and collaboration of government and regulators. Digital identity needs to be solved through collaboration of the public and private sector," says Gannon.

Collaboration between the public and private sectors in Australia is already evident in current work by the Digital Transformation Office (DTO). The DTO are working on a new identity framework, set to be unveiled by the end of August 2016, with plans of having a single identity provider, owned and run by the Federal Government, with all agencies, the States and banks admitted to the Australian Identity Federation. This has significant implications for improving the efficiency of accessing government services and could simplify the verification process and issuance of digital credentials for users in Australia.

Various other global examples highlight how different public and private sector approaches can achieve implementation of digital identity technologies. In Canada for example, the Digital ID and Authentication Council (DIACC), working in a public and private sector partnership, is developing a

roadmap for digital identity. Finland is another country where the public sector outsourced to the private sector, giving banks tenure. Estonia has successfully implemented a government owned and mandated system.

McWaters says, "Identity is cultural and that culture varies from region to region. There are certainly areas that have a preference for rollouts by government. And there are other areas that have an aversion to government because broadly citizens do not trust it. But either way, it's important for a digital identity system to be flexible. A government agency may tend to roll out a set of digital services that are unique to that situation, for example drivers' licences, but the services cannot extend to interact within a broader network. I think that would be failing to capitalise on the real opportunity here".

About the reports

These latest two reports by Deloitte and the World Economic Forum make up the Beyond the Future of Financial Services project, which continues the disruptive innovation work begun in The Future of Financial Services project from June 2015. The Future of Financial Services project set out to understand how disruptive innovations are reshaping the way financial services are structured, provisioned and consumed. It explored the landscape of disruptive innovations in financial services, provided the first consolidated taxonomy for these disruptions, and explored their potential impacts on the structure of the industry.

Download the reports at the following:

[*The future of financial infrastructure: An ambitious look at how blockchain can reshape financial services*](#)

[*Disruptive innovation in financial services: A blueprint for digital identity*](#)



Innovation: A Fundamental Factor in Family-Owned Business Success

(BPT) – It’s no secret that there are countless challenges facing today’s family-owned businesses. In fact, less than one-third of family businesses successfully migrate from first to second generation ownership. Another 50 percent never survive the transition from second to third generation, according to [Forbes](#).

While every organization has its own priorities and category-specific issues to manage, family businesses that fail to innovate run the risk of losing market share to competitors, losing key staff or simply operating inefficiently so that they cannot survive. Innovation is a key differentiator between market leaders and their rivals, and can ultimately ensure longevity.

IDEAL Industries, Inc., a manufacturing company based 60 miles west of Chicago, is consistently growing and expanding under four generations of family ownership, and is celebrating its centennial anniversary this year.

How has this electrical product supplier and hand tool company managed to stay relevant and produce results for 100 years? Their success story can be chalked up to their ongoing devotion to innovation and looking beyond traditional business pressures of hitting quarterly results.

Their philosophy is simple: focus on the markets that exist today, while ensuring that they are poised to serve those of tomorrow.

“The beauty of being family-owned is that we have the freedom to make executive decisions with the long-term in mind,” said IDEAL Chairman and CEO Jim James. “We think ten years ahead – how will our family, board and business be different? What are the risks that lie ahead and how can we mitigate them now? How do we put our core business out of business? Because if we don’t, someone else will.”

While IDEAL may best be known for their wire connectors, their innovations also touch the sky, as nearly every commercial jet flying today has been constructed using IDEAL wire strippers. They’ve even reached the moon, as part of the critical equipment on NASA missions. Their Audacity advanced wireless lighting system is installed at major league ballparks, college campuses and airports.

Best of all, they touch the daily lives of skilled tradesmen around the globe, who reach for IDEAL, Western Forge and SK brand hand tools to get the job done right.

However, innovation is not only about designing a new product or service to sell,

but also focusing on the development of new business processes and best practices in order to improve efficiency, find new customers, cut down on waste, increase profits and keep employee retention rates up.

“At the end of the day, it’s very important for organizations to take a step back and ask themselves what is truly blocking the innovation process,” said Vicki Slomka, senior vice president of global human services at IDEAL. “Companies that constantly challenge themselves and are relentlessly focused on innovation will survive in this ever-changing globally competitive environment.”

Thus, in order to prevent becoming another failing statistic, companies have no choice but to prioritize innovation. Family stewardship must ensure their professional management team has the strategic alignment, patience and resources available to foster an innovative workplace environment – one that produces products and services that continuously cater to today’s competitive marketplace and consumer. Family-owned businesses must commit to a high reinvestment rate in order to support a robust innovative pipeline that will allow them to survive and thrive into the next generation.



Tips To Make Your LinkedIn Profile Work for You

With the increasing number of listed users, LinkedIn is becoming one of the biggest social media platforms for small businesses to foster customer relationship, nurture new business ventures, build a reputation and enhance brand visibility. One question that usually arises in the mind of LinkedIn users is that: Is it enough to solely have a profile or there is something more I can do with the help of LinkedIn? About 90% of recruiters from very well-known companies search for eligible candidates to fill in their job vacancies. More than that, an enormous percentage of B2B companies use this stage to find new customers. This is why it is important to get a good pro. rank for LinkedIn users. Rewrite LinkedIn profile can surely help you to obtain higher pro level. Below we discuss few tips that can surely help to soar your profile views in no time.

Update your profile: The first thing is to keep your profile updated by rewriting your LinkedIn profile. From period to period it is important to post something interesting and new in your profile so that the LinkedIn contacts get attracted and view your profile for new thought process, interests, position, assignment and location. The profile can also be updated by posting things like special dates, days and events. If you do not have something interesting to post, you can simply publish your pro. by deleting some information. Then add back the deleted material and publish your pro. again. New details can also be added by adding a comma or a full stop. All of these ways succeed for a profile update. It is important to

rephrase or revise something every day for your profile to build new connections and increase the number of customers to visit your profile on LinkedIn.

Remove better ranking connections: One tweak way to get excellent LinkedIn prof. is by deleting or removing those whose profile ranking stand higher than yours. By doing this, the profile views become higher on LinkedIn.

Participate in groups: One way to build strong connections is by participating in groups that interest you. You should strive to be the top contributor in the discussion that takes place in groups. You can also join homogenous groups where you can connect and share with people that share the same interest as yours. Or choose heterogeneous group where members have conflicting interests. The most satisfactory type of groups you should choose, are the ones that have the biggest number of members and those that let members post strong discussions.

By doing such LinkedIn profile optimization techniques you can optimize your profile and progress in your career.

About the Author

Joy Dsouza serves as LinkedIn instructor and loves to write about the importance of [LinkedIn profile optimization](#) .

Regional Office News

Vietnam Regional Office

There was a CMA Australia Networking Event held on 27 August 2016” at the Toong Co-working Space in Số 8 Tràng Thi, Hà Nội. The speaker, Mr. Phan Lê Thành Long, the Regional Director of ICMA Australia in Vietnam, spoke on the subject of ‘Lean Accounting and the 5S method’. It was a lively discussion and gave CMA Alumni in Vietnam plenty of opportunity to network with their colleagues.



The CMA Members who participated in the event.



The ICMA Organising Committee. Mr. Phan Lê Thành Long, the Regional Director of ICMA Australia in Vietnam is first on the left.



University Lecturers invited to CMA Event

Indonesia - Signing MOUs

The ICMA signed an MOU with *Universitas Pelita Harapan (UPH)* in Medan for collaboration in terms of the refereeing of articles submitted for publication in the ICMA Journal; promoting the symposiums/conferences/seminars of the institutions: promoting the ICMA 'Emerging Scholarship Scheme' with the accounting students of the universities and other activities that contribute to the research and professional development between the institutions.



From Left to Right are: Ms. Lila Maria Kaban, Head of Management Department; Mr. Arifin, Dean of Faculty of Economics UPH Medan; Prof. Janek Ratnatunga, CEO of ICMA and Ms. Christina Cahyaningrum, a Lecturer of Accounting Department of UPH Medan.

This signing ceremony was followed by a seminar given by Professor Janek Ratnatunga to over 200 students of UPH Medan titled "Sustainable Cost Accounting: Air, Water and Food".



Professor Janek Ratnatunga conducting seminar at UPH Medan



Some of the student participants are shown above.

This was followed by an official visit by the to the ICMA Sctrariat in Melbourne by representatives of the *State University of Malang* on Sept 28-30, 2016, to formalise the Memorandum of Understanding with ICMA for collaboration in terms of refereeing of articles; promoting the symposiums/conferences/seminars of the two institutions; promoting the ICMA 'Emerging Scholarship Scheme' with the accounting students of the State University of Malang and other activities that contribute to the research and professional development between the two institutions.

The representative who visited were Prof Dr Budi Eko Sutjipto, Dean - Economics Faculty; Dr Cipto Wardoyo, Vice Dean Academic);



Prof Dr Budi Eko Sutjipto, Dean - Economics Faculty after signing ceremony with Prof Janek Ratnatunga., CEO, ICMA.



Prof Dr Budi Eko Sutjipto with Prof Brendan O'Connell, President ICMA.



Dr Puji Handayati, Head of Accounting Master's Program presents a gift from the State University of Malang to Prof Brendan O'Connell, President ICMA.

What's On in the World of the CMA?

- September 20-October 6, 2016: 2nd CMA Preparatory Program, Segal Training Institute, Tehran, Iran.
- October 15-24, 2016: 2nd CMA Preparatory Program, Ruwan Hulugalle and Company, Phnom Penh, Cambodia.
- October 18, 2016: "Financial Statements and Reports in a Digitized World" - Prof Janek Ratnatunga, CEO ICMA, CPD Evening Lecture, Ruwan Hulugalle and Company, Phnom Penh, Cambodia.
- October 19, 2016: ICMA Gala Dinner and Hall of fame Inductions, Ruwan Hulugalle and Company, Phnom Penh, Cambodia.
- Oct 26 – Nov 3, 2016: 2nd CMA Preparatory Program, TOP Academy, Kuala Lumpur, Malaysia.
- 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.
- Nov 28, 2016: Frontiers of Accounting Symposium, Celebrating ICMA's 20th Anniversary, ICMA Head Office, Melbourne, Australia.
- Nov 28, 2016: Frontiers of Accounting Symposium, Celebrating ICMA's 20th Anniversary, ICMA Head Office, Melbourne, Australia.
- Dec 5, 2016: Frontiers of Accounting Symposium, Celebrating ICMA's 20th Anniversary, ICMA Indonesia Branch, Malang, Indonesia.
- Dec 7, 2016: Frontiers of Accounting Symposium, Celebrating ICMA's 20th Anniversary, ICMA Indonesia Branch, Jakarta, Indonesia.
- Dec 10, 2016: Frontiers of Accounting Symposium, Celebrating ICMA's 20th Anniversary, CMA Philippines, Manila, Philippines.
- Dec 15, 2016: Frontiers of Accounting Symposium, Celebrating ICMA's 20th Anniversary, CMA Hong Kong, Hong Kong.
- Dec 17, 2016: Frontiers of Accounting Symposium, Celebrating ICMA's 20th Anniversary, CMA Vietnam, Hanoi, Vietnam.
- Feb 2017: CMA Preparatory Program, STIE Perbanas and Centre for SMART, Surabaya, Indonesia.
- 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@cmaweblines.orgWeb: www.cmaweblines.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.orgallen.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.orgEmail: info@icmaindia.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: paulinapssi@gmail.com**East Java Regional Office**

Dr. Ana Sopianah, CMA

Regional Director - East Java

GRAHA Inspire

Jalan Cakalang Kavling AURI No 16

Malang, Indonesia

Email: anasopianah@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.comwww.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.comWebsite: www.cmacambodia.org

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