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CERTIFIED Management Accountant

CEO Message

It gives me great pleasure to take up the role of CEO of the Institute. As the former CEO, Leon Duval has been very effective, first as President and then as CEO, and I know it will be difficult for me to follow in his footsteps. However, I will do the best I can. I will also continue to hold the position of *Chairman of the Education Committee*, the role I have had since the inception of the Institute, until a suitable replacement has been found. If anyone is interested in this role, please do apply.

I have now left my Dean's position at the *University of South Australia*, but continue to be an Adjunct Professor as I have there are still PhD students I am supervising at that university. I have also taken up a role as President of the *University of Southeastern Florida*, a relatively new university formed to take advantage of the revolution in academia referred to as MOOCs (Massive Open Online Courses). Due to this academic position, and my knowledge of the course content of the CMA Program, I have been able to get the CMA members' prior learning recognised such that they will need to do only 2 courses to obtain an MBA. Details of this will be discussed elsewhere in this eNewsletter.

The Institute is now in its 18th year, having being incorporated in 1996. It continues to be the only post-graduate accounting qualification in the world. We are very selective in our recruitment of members, with the CMA program only available via approved training institutes or accredited universities, and as such our membership continues to be exclusive now with 2,500 members worldwide in over 90 countries.

The main issues I will need to address during my tenure as CEO will be for the Institute to attain the status of a *Migration Assessment Authority* for Australia, and to get to get the CMA qualification recognised by the Australian migration authorities. The difficulty has been the incredible uncertainty of the Australian Labour government over much of 2013. We have been working with a lobbyist and many letters of support were obtained from senior members, renowned academics and businessmen. However, due to a challenge to the Gillard government in March 2013, the Minister responsible was changed. All letters of support had to be addressed to a new Minister. Then just as we were ready to canvass the new Minister, the Gillard government was challenged again in June 2013, and lost to Kevin Rudd, who became Prime Minister of Australia again. It is still uncertain as which Minister will now be responsible and for how long, as a general election is planned for 2013.

Another issue that I will need to focus on is to ensure that the role of 'Management Accountant' maintained for another year in the Australian Government's new *Skilled Occupation List (SOL)* for General Skilled Migration (GSM). This was first obtained by the Institute with Leon Duval leading the charge.

A further key task is to operationalise the Institute's *Continuing Professional Development Program* which came into effect in July 2012. To this end, I am pleased to announce two major developments: (1) a link with the *University of Southeastern Florida (USEF)* to undertake an MBA as part of CPD; and (2) a link with the *Academy of Finance and Management Australia* (AFMA) to undertake Certified Courses in specialist areas that will enhance the CMA qualification.

Finally, as this is now ***membership renewal time***, it is worth reminding members of some of the services provided by the ICMA:

- Maintaining the corporate website that was in keeping with the enhanced international profile of ICMA, which includes a members section and blog with links to Facebook and Twitter.
- Publishing 5 copies of the On Target eNewsletter
- Publishing an ICMA Member's Yearbook that is mailed to members once an year.
- Having a physical library by over 10,000 texts and professional and academic publications and giving members access to a world-class eLibrary.
- Having a World-Class Customer Relationship Management (CRM) system to handle the membership, invoicing, examinations and accounts.
- Continuing with the links to CEO Institute for Members

Best Wishes

Professor Janek Ratnatunga

Resource-Based Sources of Competitive Advantage

Christos Ioannou, CMA, ask the very salient question, "Does Resourced-Based Sources (RBS) have any interconnection to the concept of competitive advantage?" In this article specifically written for On Target, he focuses on the theory of the RBS approach and highlights the key elements leading to competitive advantage.

What constitutes a "resource"?

According Daft (1983), "Firm resources include all assets, capabilities, organizational processes, firm attributes, information, and knowledge". Resources can be characterized as the blood of organization. Without blood nothing can be organized and executed for the benefit of organization.

What constitute "capability"?

According to Makadok (2001), the distinction between capabilities and resources are "special type of resources, specifically an organizationally embedded non-transferable firm-specific resource…" which the main scope is to improve the efficiency and productivity of the other interconnected resources of the firm.

The interconnection of resources and capabilities are the two inseparable key elements for the success of every organization. Resources can be defined the stocks, money, machinery, technology, and the intellectual capital. Resources can be separated into tangible and intangible categories. Consequently, the key to success of an organization is to be able to use its resources efficiently and effectively in order to meet its strategic goals. The interconnection of resources and capabilities ability can benefit organizations.

What constitutes "competitive advantage"?

According to Barney (1986b), competitive advantage can be attained if the current strategy is value-creating. Consequently, in order for something to be value creating means that the competitive advantage cannot be imitated by existing competitors. The competitive advantage is the outcome of effective and efficient strategy, which is not an easy task for organizations because in the era of fast changing environment competition is very strong. The strategic scope of every organization is to gain the competitive advantage over competitors. Thus, the source of competitive advantage cannot be imitated by competitors in the future. Competitive advantage can be gained from adoption of advance technology, excellent service, low cost production, or selling of unique products. However, hyper-competition might eliminate this advantage and as a result systematic and continuous efforts may prove to be ineffective.

What is a Resourced-Based View?

Wernefelt (1984) stated that the Resource-Based View (RBV) of a firm is a business management tool used to determine the strategic resources available to a company. The significance and value of RBV depend on strategic managers. As a strategic management tool, RBV depends on how well the strategic managers will assess the company's resources. The effective assessment will lead to the adoption of effective strategic plan. Efficient and effective utilization of strategic resources will lead to competitive advantage of the company.

What is the Value-Chain?

Porter (1985) stated, "Every firm is a collection of activities that are performed to design, produce, market, deliver, and support its products". He stated very effectively the cohesion of primary and support activities of an organization emphasizing that the scope of every organization is to survive in the long-term horizon.

Consequently, the responsibility of every organization is to maximize its profits. The role of every activity is to contribute to the profitability of the company. Every activity of the company has to play its significant role to the success of an organization. For example, the role of primary activities such as logistics, marketing, and sales and the after sale services are very crucial for every organization. Thus, the successful activities performed to design, produce, market, deliver, and support the company's products will contribute to the gaining of competitive advantage. Porter (1985) represented primary and support activities using a value chain model (Figure 1).

In addition to the primary activities described by Porter (1985), procurement, technology development, human resource management, and firm's infrastructure can lead to the gaining of competitive advantage. Activities can include the efficient utilization of ERP system, good organization of accounting and finance departments, effective human resource management strategy (e.g., training and development of staff), introduction of quality management systems and approaches such as ISOs and HACCPs. Kotler (2000) has a similar view stating that the success of the firm is a combination of effective management and co-ordination of organizational business units.

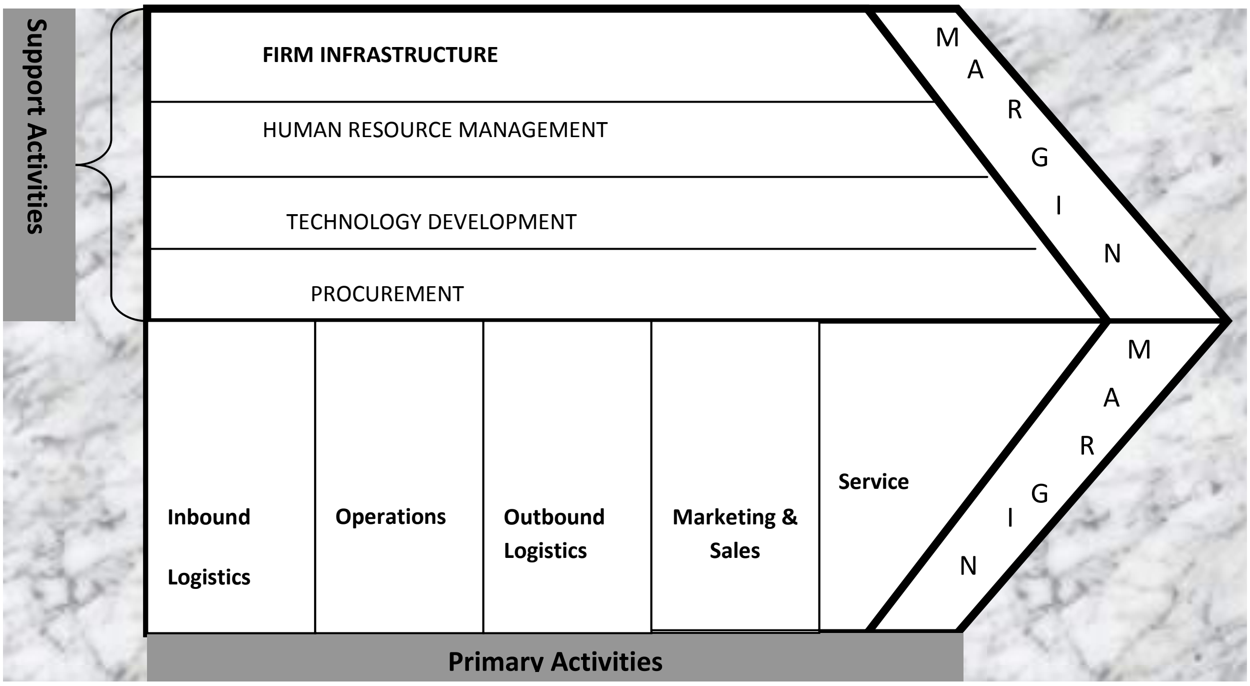

Figure 1: The Generic Value Chain (Source: Porter, 1985)

What are the Resource-Based Sources of Competitive Advantage?

Johnson, Scholes, and Whittington (2008) stated, "The resourced-based view of strategy: the competitive advantage and superior performance of an organization is explained by the distinctiveness of its capabilities". Johnson et al. (2008) depicted the interconnection of competitive advantage to unique resources and core competencies (Figure 2).

	Resources	Competencies
Threshold Capabilities	**Threshold resources** Tangible Intangible	Threshold competencies
Capabilities for Competitive Advantage	**Unique resources** Tangible Intangible	Core competencies

Figure 2: Strategic Capabilities And Competitive Advantage (Source: Johnson, Scholes, & Whittington, 2008)

To understand Figure 2, the following terminologies are very crucial:

Strategic capability: Strategic capability is the resources and competences of an organization. These are crucial inseparable parts of every organizational success

Unique resources: These are the unique resources that are interconnected element of competitive advantage, especially because cannot be duplicated or imitated by competitors.

Core competencies: Core competencies are activities that are interconnected to competitive advantage and furthermore cannot be duplicated or imitated by competitors.

The key to success of every organization is the achievement to deploy unique tangible and intangible resources, which cannot be imitated by their rival competitors. The significance of these and interconnection of core competencies is seen as an inseparable item into the process of competitive advantage.

The pyramid model shown in Figure 3 was developed by Thomson and Strickland (2001) and illustrates the steps necessary for an organization to plan and execute in order to arrive to the top of the pyramid. Companies should address the cohesion of every step shown in Figure 3. Possible weaknesses between in any of the above elements mean inefficiency and loss of competitive advantage. The basis of competitive advantage is the company's resources. Achievement of competitive advantage consists of four interconnected and inseparable steps.

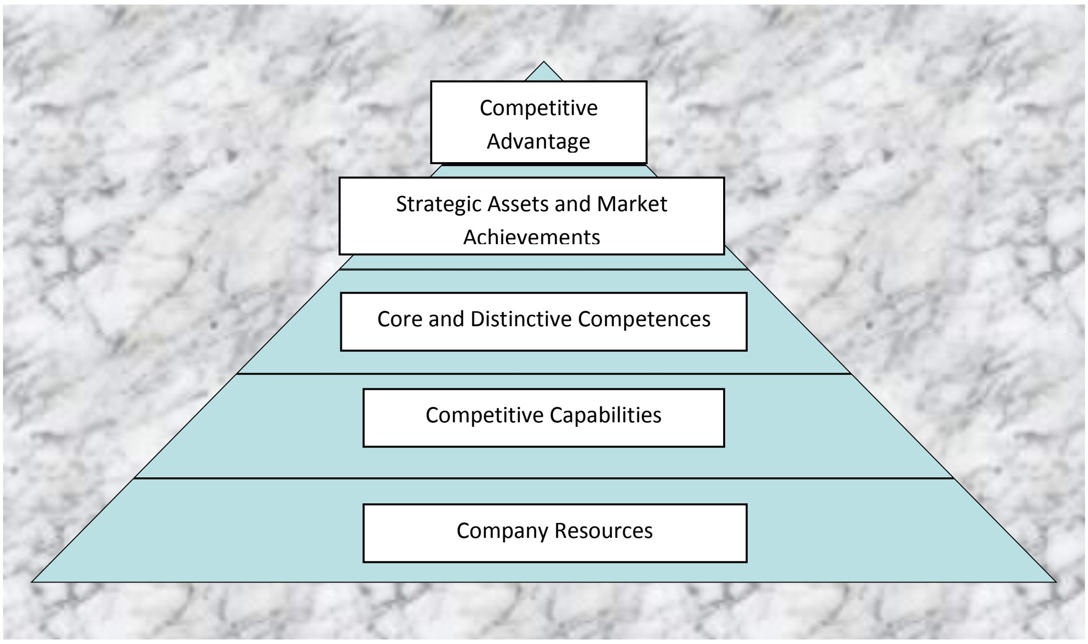

Figure 3: Mobilizing Company Resources to Produce Competitive Advantage (Source: Thomson & Strickland, 2001)

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The Coming Era of 'On-Demand' Marketing

Emerging technologies are poised to personalize the consumer experience radically—in real time and almost everywhere. It's not too early to prepare, say Peter Dahlström and David Edelman in the McKinsey Quarterly of April 2013.

Dahlström and Edelman say that Digital marketing is about to enter more challenging territory. Building on the vast increase in consumer power brought on by the digital age, marketing is headed toward being on demand—not just always "on," but also always relevant, responsive to the consumer's desire for marketing that cuts through the noise with pinpoint delivery.What's fueling on-demand marketing is the continued, symbiotic evolution of technology and consumer expectations. Already, search technologies have made product information ubiquitous; social media encourages consumers to share, compare, and rate experiences; and mobile devices add a "wherever" dimension to the digital environment. Executives encounter this empowerment daily when, for example, cable customers push for video programming on any device at any time or travellers expect a few taps on a smartphone app to deliver a full complement of airline services.

Remarkably, Dahlström and Edelman say that all this is starting to seem common and routine. Most leading marketers know how to think through customer-search needs, and optimizing search positioning has become one of the biggest media outlays. Companies have ramped up their publishing and monitoring activities on social channels, hoping to create positive media experiences customers will share. They are even "engineering" advocacy by creating easy, automatic ways for consumers to post favorable reviews or to describe their engagement with brands.

Dahlström and Edelman state that we're just getting started. The developments pushing marketing experiences even further include the growth of mobile connectivity, better-designed online spaces created with the powerful new HTML5 Web language, the activation of the Internet of Things in many devices through inexpensive communications tags and microtransmitters,[1] and advances in handling "big data." Consumers may soon be able to search by image, voice, and gesture; automatically participate with others by taking pictures or making transactions; and discover new opportunities with devices that augment reality in their field of vision (think Google glasses).

As these digital capabilities multiply, Dahlström and Edelman say that consumer demands will rise in four areas:

1. ***Now:*** Consumers will want to interact anywhere at any time.

2. ***Can I:*** They will want to do truly new things as disparate kinds of information (from financial accounts to data on physical activity) are deployed more effectively in ways that create value for them.

3. ***For me:*** They will expect all data stored about them to be targeted precisely to their needs or used to personalize what they experience.

4. *Simply:* They will expect all interactions to be easy.

Dahlström and Edelman's article seeks to paint a picture of this new world and its implications for leaders across the enterprise. One thing is clear: the consumer's experiences with brands and categories are set to become even more intense and defining. That matters profoundly because such experiences drive two-thirds of the decisions customers make, according to research by Dahlström and Edelman's colleagues; prices often drive the rest.

It's also apparent that each company as a whole must mobilize to deliver high-quality experiences across sales, service, product use, and marketing.

Few companies can execute at this level today. As interactions multiply, companies will want to use techniques such as design thinking to shape consumer experiences. They also will need to be familiar with emerging tools for gathering the right data across the consumer decision journey.

Finally, the marketing organization's structure will need to be rethought as collaboration across functions and businesses becomes ever more essential.

What to expect in 2020

Over the next several years, Dahlström and Edelman say that we're likely to see the consumer experience radically integrated across the physical and virtual environment. Most of the technologies needed to make this scenario happen are available now. One that's gaining particular traction is near-field communication (NFC): embedded chips in phones exchange data on contact with objects that have NFC tags. The price of such tags is already as low as 15 cents, and new research could make them even cheaper, so more companies could build them into almost any device, generating a massive expansion of new interactive experiences. To understand that near future, review the infographic below and follow a hypothetical, tech-enabled consumer, Diane, who purchases an audio headset.

Taken together, the scenes from Diane's consumer journey illustrate the four emerging areas of consumer demands we touched on above.

Now

Marketers have gotten a foretaste of the consumer's desire for more urgency and ubiquity. Bank balances running low? Send the consumer an alert on her cell phone. A question about fees shows up on the bank's Twitter handle? Post an immediate response. An executive of one major bank believes that the immediacy of smartphone apps has already made brick-and-mortar contact unnecessary for many young consumers, who use a range of mobile services to manage their accounts and rarely interact with the brand physically. Yet having an entire bank in your phone may be only a baseline for the experiences on the horizon. Consider one European beverage company's beta test of beer coasters embedded with NFC technology. A club patron contemplating a new brew can tap a coaster with a cell phone and get a history of the beer, bars where it is served, upcoming promotions, and a list of friends who have given it a thumbs-up.

In this environment, a marketer's "publishing" extends to virtualized media such as the coaster or Diane's headphones, which become touch points for considering and evaluating products and services. Digital information technologies, operating behind the scenes to integrate data on all interactions a consumer has across the decision journey, will provide insights into the best influence pathways for companies, while also triggering new personalized experiences for consumers.

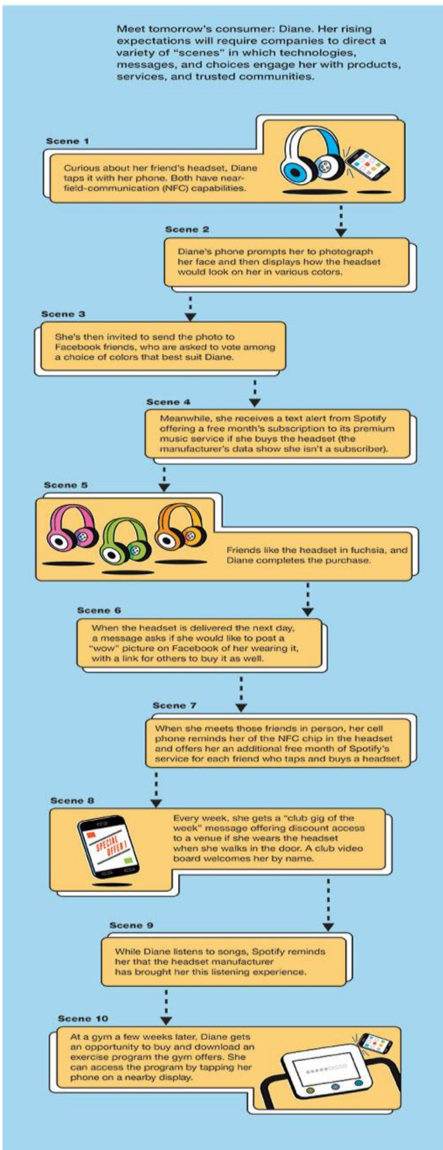
Can I

Most first-wave digital capabilities helped people access things they already did—shopping, banking, finding information. Consumers must often settle for compromises in their digital experiences. Yet robust programming, data-access, and interface possibilities now available could make every digital interaction an opportunity to deliver something exceptional.

Consider Commonwealth Bank of Australia's new smartphone app, which changes the house-hunting experience. A prospective home buyer begins by taking a picture of a house he or she likes. Using image-recognition software and location-based technologies, the app identifies the house and provides the list price, taxes, and other information. It then connects with the buyer's personal financial data and (with further links to lender databases) determines whether the buyer can be preapproved for a mortgage (and, if so, in what amount). This nearly instantaneous series of interactions cuts through the hassle of searching real-estate agents' sites for houses and then connecting with the agents or with mortgage brokers for financing, which might take a week.

The mortgage app shows how the digital environment is now integrating disparate sources of information, at low cost and at scale, for many new domains. The challenge for companies is to look beyond today's interfaces and interactions and to see that moving past compromises will require a rethinking of aspects of packaging, pricing, delivery, and products.

Scenes from the future of on-demand marketing



For me

Some online marketers already use features in devices such as cameras and touch screens to help consumers see what apparel and accessories may actually look like when worn. Web retailer Warby Parker, for example, offers hundreds of customized views of eyeglasses overlaid on a Webcam picture of the consumer.

In the future, demands for more personalized experiences will intensify. A phone tap, a click, or a stylus jot will instantly personalize offers, using information captured on "likes," recent travel, income, what friends are doing or like, and much more. With each interaction, the consumer will be creating new data footprints and streams that complement existing digital portraits, sharpening their potential impact. Facebook will eventually be able to mine the world's largest database of photographs, linking individual people to their activities. Smartphones have rich data on every place where you have traveled with one in your pocket. This is just a start, and the privacy, security, and general trust implications are staggering. Yet consumers consistently show a desire to provide more data when companies use captured information to provide truly helpful feedback (you're over budget or you are doing well in your exercise program) or to offer recommendations, services, and customization tools rather than just push what might appear to be intrusive (and creepy) messaging.

Simply

The quest for simplicity led Amazon to create a subscriber model for delivering bulky repeat-buy items (such as diapers) and Starbucks to adopt a tap-and-go approach to mobile payments. Yet many interactions remain complex and fragmented: to name just a few, finding, organizing, and redeeming online coupons; turning weekly meal plans into online delivery orders; tracking your monthly cash flow; and staying on top of your health-insurance bills and reimbursements.

Evolving technologies and consumer behavior should make it easier to redesign many complex experiences. For example, companies offering inherently complicated products or services could overlay a game interface on certain Web pages, to let consumers play at trading off different options and prices. Visual-recognition technology could allow you to scan health-care bills, receipts, statements, and appointments into one integrated calendar and cash-management system. Already, start-ups in travel, expense, and sales-force management are experimenting with approaches that streamline processes and make interactions more inviting—using touch and swipe to make changes, gestures to activate large displays, and data in phones to recognize consumers and automatically customize interfaces.

Setting strategies and building capabilities

Consumers will soon make these demands of every interaction they have with companies. Although the marketing function may often be the best conduit to get customer input and to drive decisions about how to distinguish brands, coordinated efforts across the enterprise will be needed on three levels.

Designing interactions across the consumer decision journey

Today, Dahlström and Edelman say that many companies have successfully defined and addressed customer interactions across a few channels. What they need to be designing, however, is the entire story of how individuals encounter a brand and the steps they take to evaluate, purchase, and relate to it across the decision journey. Marketing or customer research can't do this alone. At one apparel retailer, managers from multiple functions go together into the field to do deep ethnographic research— watching how customers shop, going into their homes, and uncovering the triggers and motivations that drive behavior. These managers look for the compromises that people face as they try to get things done, probing for their higher aspirations. And the managers watch how customers react as they interact with brands.

Among the findings, the managers identified seven key "use cases"—customer situations that lead to satisfaction along different decision journeys. They found a wide range of trigger points for choosing an "outfit solution" for a social occasion, learning that shoppers became frustrated, especially online, when they couldn't see how items would look together. Customers wanted to drag and drop items on an on-screen model or to see great combinations in advance. But that required different merchants to work collectively and the stores to bring items together on sales floors.

Cross-functional teams also came together in workshops. With third parties such as fashion bloggers and thought leaders from online-media companies, they mapped out new ways to influence the decision journeys of customers with different attitudes toward the retailer's brand or different kinds of spending behavior. One of the most valuable outcomes was clarity on how the store's brand positioning could guide the design of new experiences. The teams knew that their story would always be "better value than the shopper expected, delivered in a friendly way." That meant warm visuals and messaging on the company's Web site and across various media to reinforce the story of value to the customer. And the teams explored new ways social media could help customers show off the value they received.

Out of the work came not only a shared, company-wide sense of the decision journeys of consumers but also immediate buy-in to a wide range of initiatives that could boost market share. These initiatives are on track to provide an 8 percent sales lift above what the existing plan envisioned and were implemented more quickly because of the management team's shared sense of engagement.

Making data and discovery a nonstop cycle

To win over on-demand customers, you must know them, what they expect, and what works with them, and then have the ability to reach them with the right kind of interaction. Data lie at the heart of efforts to build that understanding—data to define and contextualize trends, data to measure the effectiveness of activities and

investments at key points in the consumer decision journey, and data to understand how and why individuals move along those journeys. To realize that potential, companies need three distinct data lenses.

Telescope. A clear view of the broad trends in your market, category, and brand is essential. Digital sources that track what people are looking for (search), what people are saying (social monitoring), and what people are doing (tracking online, mobile, and in-store activities) represent rivers of input providing constant warning signs of trouble or signals of latent opportunity. Many companies are drowning in reports from vendors providing these types of information tools, yet few have much clarity on which things they need to look for and who needs to know what.

One packaged-goods company got a jump on competitors when it saw a spike in online conversations about the lack of natural ingredients in shampoos and then recognized a corresponding rise in search inquiries on the subject. A new line of natural hair care products, launched at record-breaking speed, has become a successful early mover in a growing segment. A telecommunications company has become similarly plugged in: it now has a war room to track every online comment anywhere. Besides being better able to address—in an open, friendly, and fast way—problems that could escalate, it now has a great frontline source of line-outage signals that trigger repair crews and increases in call-center capacity.

Binoculars. Against this backdrop of market activity, few companies have a complete, integrated picture of where they spend their money, which interactions actually happen, and what their outcomes are. Most direct-sales companies (retailers, banks, travel services) measure the performance of their spending through isolated last-attribution analyses that look narrowly at what consumers do after confronting a search link, an e-mail, or an advertisement. Branded-goods companies try to throw all of their media spending together into an econometric model assessing the effects of their media mix. In the world of on-demand marketing, where multiple interactions take place along multiple journeys, last-action attribution explains only part of the impact of media spending, and media-mix models fail to account for touches and costs outside of paid channels.

What's next? Deploying tools that rapidly assemble databases of every customer contact with a brand, companies will need to push every customer-facing function to work together and form an integrated view of consumer decision journeys. With longitudinal pictures of customers' touches and their outcomes, companies can model total costs per action, find the most effective decision-journey patterns, and spot points of leakage. As more contacts become digitized—and they will—the data will gradually get easier to create. Getting a head start can help companies build ongoing test labs where they tune the ability to create and analyze the right data and immediately learn where to add investments. One bank has already realized millions of dollars in added value from the knowledge that weak points in the customer on-boarding process were undermining major marketing programs. Only when branches, call centers, and marketing worked together could the bank find the right fixes, improve customer satisfaction, and raise marketing's return on investment.

Microscope. Trust is essential, and personalization can show customers they matter. They expect a brand to be a good steward and user of data about them and, increasingly, have high expectations for what a brand should know. In the example described earlier, data about Diane powers the brand's ability to make it easy for her to share photographs, to buy a headset, to set up and manage a free Spotify

subscription, to receive information about a local event, to be recognized at it, and to get additional special offers. Information about Diane is the thread that keeps all of her brand interactions immediate (now), valuable (can I), relevant (for me), and easy (simply).

Yet given the laser focus on getting programs into the market to improve performance, few marketers (or even line executives) have stepped back and pulled their teams together to work through the scenarios and customer-data models they will now need to build. Even fewer have a strong sense of what the current plans of the company's IT department will deliver in which time frame. One company that addressed these issues has identified over 20 types of consumer decision journeys as archetypes of experiences it must support over the next three years. From those decision journeys, it has derived a core set of information capabilities it will need to build and is well down a tight road map of development that has already enabled it to launch products in breakthrough ways.

Delivering with new skills and processes

To deliver these new experiences, executive teams must rethink the role and structure of the marketing organization and how it engages with other functions. The changes are likely to cut deeply, transforming the way companies manage campaigns and communities, measure performance, provide customer support, and interact with outside agencies. It's still early days, but consider the breadth of recent efforts.

Raising a consumer-packaged-goods company's digital game. A European CPG company started by creating a digital-analytics group with worldwide operations. Rather than sprinkle digital experts across the globe, the company developed a unified structure with common standards for roles, common training, and digital career tracks to build an arsenal of future talent. The analytics team is part of a broader digital center of excellence that provides service support to the business units and drives major upgrades in IT capabilities. Defined commitments from managers in finance, legal, and HR help the center deal with challenges that arise as it seeks to offer customers a richer digital experience.

The company also reviewed all of its e-commerce trade accounts and decided that it needed a much more granular approach to serving customers. Says one executive, "It is not just an issue of managing our relationship with pure-play e-commerce sellers versus our traditional channels; it also is an issue of managing the online versus brick-and-mortar sides of the same traditional partner." A new e-commerce trade team with added digital-analytic support is helping both to enhance the online-merchandising mix and to improve the placement of the company's products in the search engines of e-commerce providers.

Finally, marketing leaders established a novel customer-relationship-management (CRM) team because they realized that the growth of the company's mobile services, coupon programs, sampling, and social communities was finally enabling it to gather huge amounts of direct data about how people interacted with its brands. (That information had previously been available only to retailers.) These structural and talent changes led the company to realize that it needed to reshuffle its agency relationships, replacing a single brand-and-ad agency with two agencies—one for brand programs, the other for digital and CRM direct marketing. The company also brought more media and digital analytics in-house.

Reorienting a bank. At one institution, a new understanding of emerging brand challenges led to a radical change in the status of the CMO. Marketing had earlier ranked low in this sales-driven organization, where the function's leaders focused mostly on corporate communications and brand campaigns. Now, a new CMO, much closer to her peers on the executive board, has been charged with directing the full consumer experience.

Each month, the bank's business-unit leaders gather to talk about their progress in improving different consumer decision journeys. As new products and campaigns are launched, these executives place a laminated card of such a journey at the center of a conference-room table. They discuss assumptions across the whole flow of the journey for different consumer segments and how various groups across functions should contribute to the campaign. Where should customer data be captured and reused later? How will the campaign flow from mass media to social media and to the bank's Web site? What is the follow-up experience once a customer sets up an account?

The bank has created a corporate center of excellence for digital marketing to give the strategy a forward tilt and to plan for needed capabilities. It has also appointed a new team of full-time executives who focus on mobile and social technologies—executives who have become evangelists, helping business units to raise their digital game along a range of consumer interactions. The first wave of fixes and new programs has already generated tens of millions of dollars in the first six months, and the bank expects these efforts to add more than $100 million to its annual margins.

The forces enabling consumers to expect fulfilment on demand are unstoppable. Across the entire consumer decision journey, every touch is a brand experience, and those touches just keep multiplying in number. To mobilize for the on-demand challenges ahead, companies must:

- bring managers together from across the business to understand consumers' decision journeys, to speculate about where they may lead, and to design experiences that will meet the consumer's demands (Now, Can I, For me, and Simply);
- align the executive team around an explicit end-to-end data strategy across trends, performance, and people;
- challenge the delivery processes behind every touch point—are the processes making the best use of your data and interaction opportunities and are they appropriately tailored to the speed required and to expectations about your brand?

Executive recruiters tell us that corporate boards are looking for more people who can challenge and improve a company's approach to social media, big data, and the customer experience. Staying ahead of the design, data, and delivery requirements of on-demand customers is much more than a marketing issue—it will be a crucial basis for future competitive advantage.

Peter Dahlström and David Edelman

Source: Mckinsey Quarterly, April 2013

How Money Actually Buys Happiness

Warren Buffett's advice about money has been scrutinized — and implemented — by savvy investors all over the world. But while most people know they can benefit from expert help to make money, they think they already know how to spend money to reap the most happiness. As a result, they follow their intuitions, using their money to buy things they think will make them happy, from televisions to cars to houses to second houses and beyond.

The problem with this approach is that a decade of research — conducted by Professors Elizabeth Dunn and Michael Norton at the University of British Columbia and Harvard Business School, and their colleagues — and published in the *Harvard Business Review* — demonstrates that our intuitions about how to turn money into happiness are misguided at best and dead-wrong at worst. Those televisions, cars, and houses? They have almost no impact on our happiness. The good news is that Dunn and Norton say that they now know what kind of spending does enhance our happiness — insight that's valuable to consumers and companies alike.

Buffet recently penned an op-ed titled "My Philanthropic Pledge" — but rather than offer financial advice about giving, he suggested we give as a way to enhance our emotional wellbeing. Of his decision to donate 99% of his wealth to charity, Buffett said that he "couldn't be happier."

But do we need to give away billions like Buffet in order to experience that warm glow? Dunn and Norton state that luckily for us ordinary folks, even more modest forms of generosity can make us happy. In a series of experiments, we've found that asking people to spend money on others — from giving to charity to buying gifts for friends and family — reliably makes them happier than spending that same money on themselves.

And our research shows that even in very poor countries like India and Uganda — where many people are struggling to meet their basic needs — individuals who reflected on giving to others were happier than those who reflected on spending on themselves. What's more, spending even a few dollars on someone else can trigger a boost in happiness. In one study, Dunn and Norton found that asking people to spend as little as $5 on someone else over the course of a day made them happier at the end of that day than people who spent the $5 on themselves.

Dunn and Norton found that smart managers are using the power of investing in others to increase the happiness of their employees. Google, for example, offers a compelling "bonus" plan for employees. The company maintains a fund whereby any employee can nominate another employee to receive a $150 bonus. Given the average salaries at Google, a $150 bonus is small change. But the nature of the bonus — one employee giving a bonus to another rather than demanding that bonus for himself — can have a large emotional payoff. Investing in others can also influence customers. Dunn and Norton found that managers at an amusement park were unable to convince patrons to buy pictures of themselves on one of the park's many rides. Less than one percent purchased the photo at the usual $12.95 price. But researchers tried a clever variation. Other customers were allowed to pay whatever they wanted (including $0) for a photo, but were told that half of what they paid would be sent to charity. Now, buying the picture allows the customer not only to take home a souvenir, but also invest in others. Given this option, nearly 4.5% of customers purchased the photo, and paid an average of more than $5. As a result, the firm's profit-per-rider increased fourfold.

Warren Buffett, happiness guru.

Just as we have taken his advice on making money, research by Dunn and Norton suggests that we should now take his advice on making happiness. By rethinking how we spend our money — even as little as $5 — we can reap more happiness for every dollar we spend. And Buffett's happiness advice comes with a financial payoff as well. By maximizing the happiness that employees and customers get from every dollar they receive in bonuses or spend on products, companies can increase employee and customer satisfaction — and benefit the bottom line.

Elizabeth Dunn and Michael Norton are Professors at the University of British Columbia and Harvard Business School, respectively

Source: Harvard Business Review, June 2013

Building Superior Capabilities for Strategic Sourcing

Purchased materials and services often make up 60 to 80 percent of a product's cost. Companies that don't invest in the purchasing team's capabilities are throwing away value.

Jack Welch once notoriously said that "engineers who can't add, operators who can't run their equipment, and accountants who can't foot numbers become purchasing professionals." Hyperbole aside, General Electric's legendary boss was reflecting a common perception: the purchasing function is little more than a necessary evil in business. No surprise, then, say Steffen Fuchs, Gillian Pais, and Jeff Shulman in a McKinsey Quarterly article in May 2013, that many companies underinvest in the purchasing team's capabilities and leave sourcing out of strategic decision-making processes in favour of functions, such as manufacturing and sales, that drive revenue.

Fuchs, Pais, and Shulman state that over time, of course, a negative compounding effect sets in: up-and-coming talent flows to the higher-status functions, often exacerbating the capabilities mismatch when difficult sourcing negotiations come up. If a supplier's heavily supported sales team squares off against an underdeveloped purchasing team, the result, like that of a football match between Fiji and Brazil, is fairly predictable.

Yet purchased materials and services make up 60 to 80 percent of a product's total cost in many industries, say Fuchs, Pais, and Shulman. As a result, companies that do not invest appropriately in the purchasing team's capabilities and culture are throwing away more value than they realize. Organizations that employ leading-edge purchasing practices achieve almost double the margins of companies with below-average purchasing departments (20.2 percent versus 10.9 percent, respectively).[1]Among the dimensions that affect purchasing's success, capabilities and culture were correlated 1.5 to 2.2 times more strongly with a company's financial performance than the others we studied (See Exhibit).

Fuchs, Pais, and Shulman claim that we have developed an approach that emphasizes speed and scale to build and institutionalize capabilities, so that performance improves rapidly and continues to get better over the long term. When applied to purchasing, the approach helps to raise the function's profile and to give high-performing procurement professionals more leadership-development opportunities and exposure to senior management. In our experience, companies that employ this program in purchasing are able to attract and retain better purchasing talent and capture the financial impact more quickly and sustainably. In their article, Fuchs, Pais, and Shulman discuss how the approach has improved the performance of purchasing organizations and helped several of them realize their goals.

Identifying and building capabilities

To turn the purchasing function into a high-functioning strategic asset, an organization must first identify the specific capabilities that will create the most value. They vary by company but may include technical skills such as the ability to reverse-engineer a supplier's cost structure accurately or to conduct a thorough supply-market analysis that produces insights leading to a competitive advantage. Leadership capabilities—such as the ability to navigate complex cross-functional interests, to manage the trade-offs required to meet competing needs, and to identify alternatives with perspicacity and tact—may also be important.

A company can figure out which capabilities have the greatest potential to contribute to performance by conducting a bottom-up assessment of its technical and leadership capabilities and comparing them with relevant benchmarks. For one leading chemical company, this type of assessment revealed a need to improve advanced "should-cost" analytics (that is, clean-sheet modeling) and cross-functional leadership. The company created a tailored capability-building program to build these specific skills. One year later, it was routinely convening cross-functional sourcing teams and using clean-sheet-based negotiations to capture savings that ranged from 10 to 20 percent for many categories.

Beyond building individual employees' skills, an organization must embed them in its processes, systems, and tools. For example, after completing an initial phase of capability building for individuals, a leading basic-materials company took the next step. This effort

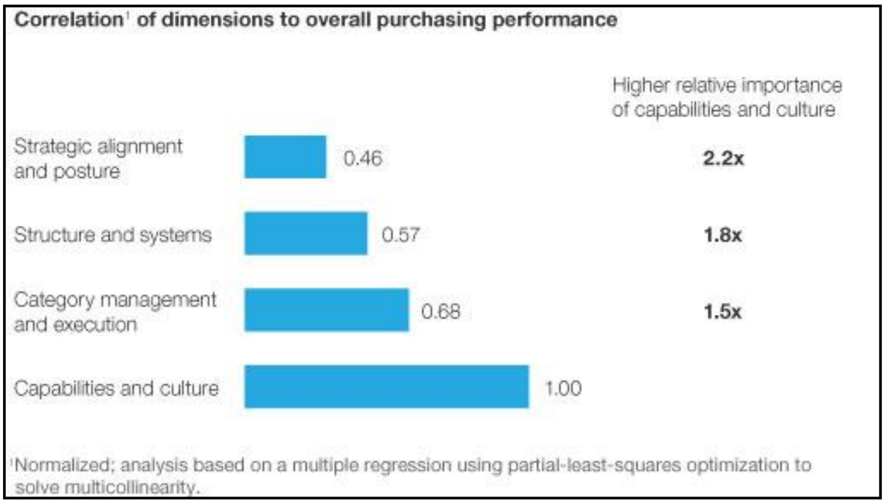


Exhibit: Capabilities and culture are key to purchasing success.

included the implementation of an improved organizational structure to place a greater focus on value-generating priorities: transactional activities, such as purchase-order processing, were organizationally separated from strategic activities, such as category management. Data-collection tools and clear processes were instituted to support a more strategic kind of category management. The company also worked to ensure that the right individuals were placed in the right roles. Finally, performance-management systems were put in place to measure and provide incentives for total-cost-of-ownership savings and continuous improvement.

Use real work and adult-learning principles

According to research done by Fuchs, Pais, and Shulman, the traditional method of providing corporate training, through infrequent classroom sessions, is one of the least effective ways to build capabilities. Adults retain new ones more successfully if learning occurs through shorter, more frequent interventions in which the content is delivered "just in time." That is, when training is tied to real work and the specific activities an individual must complete, trainees get immediate practice in incremental new skills that directly affect their day-to-day responsibilities. Over time, these new skills build on each other and develop into a complete set of improved capabilities.

One of the most effective ways to act on these adult-learning principles and scale new capabilities quickly is the "train the trainer" approach, say Fuchs, Pais, and Shulman. In this technique, a small number of highly skilled and motivated change agents go through a structured "field and forum" program covering technical and leadership capabilities. While these change agents are in this program, they are expected to transfer their newly acquired capabilities to others by acting as mentors for a cohort of key purchasing employees going through an actual category-sourcing process. These purchasing staffers, with some further training, then go on to become coaches and mentors themselves. Through this approach, a combination of coaching and on-the-job training creates an organizational-talent engine that scales up new capabilities rapidly.

The global chemical company mentioned above followed this approach for its purchasing-transformation program. The company's purchasing leaders identified a core set of trainers, who were 100 percent dedicated to driving change in the organization. Every week, these trainers received seven hours of technical and leadership training, and in tandem each of them co-led a cross-functional category-sourcing team. Over the course of 16 weeks, the trainers led their teams through the full sourcing process while also receiving regular coaching, training, and mentoring from their leaders. At the end of the period, the trainers unanimously declared that this experience had been the most transformative time in their careers, both professionally and personally, and that it helped improve their own skills and mind-sets, as well as the attitudes and capabilities of their colleagues. The trainers went on to train others independently and to become highly respected leaders in the organization. Many were recognized by C-level executives for their achievements.

Scale up and institutionalize

After the first phase of individual and institutional capability building, a company must focus on scaling, across the entire organization, the new way of doing business, so that it is sustainable over the long term. For example, at the basic-materials company mentioned above, this scale-up was accomplished by first setting an austere goal of 7 percent cost reductions across the entire third-party spending base and creating a clear action plan to reach that level in two years. This plan involved a sequence of category-sourcing efforts, with assigned team members and a centre of excellence of core trainers and leaders to provide category teams with the necessary capabilities and expertise. A robust mechanism reported results to the whole organization to build excitement and credibility for the cost reductions. Two years later, the organization is well on its way to achieving what many thought a nearly impossible goal.

Fuchs, Pais, and Shulman say that the final important piece in the capability-building effort relates to culture: creating an environment in which purchasing professionals are proud of the value they add to the organization and have the confidence to take a leadership role in finding and delivering new sources of value. Such cultural change is the bedrock of a sustainable transformation in a purchasing organization. Companies can push this change by creating highly visible senior role models who act out the new culture. These companies do so in several ways: instituting joint purchasing councils with responsibility for ensuring cross-functional collaboration and making use of the right forums to publicize successes throughout the organization and build excitement. Continuing to measure the attitudes and mind-sets of the staff carefully (using employee questionnaires and focus groups, for example) and then making targeted interventions to address challenges are important as well.

For example, at one leading global chemical company, a "victim" mind-set predominated in the purchasing function. Professionals within the group felt directionless and disheartened by an environment in which key sourcing decisions were often made without their involvement. To change this attitude, the company made sure senior leadership was involved in redesigning the purchasing organization, developing and institutionalizing a formal sourcing process, and implementing new databases and tools. Executives participated in weekly stakeholder meetings and periodic gatherings to address concerns as they arose. The company also made a significant effort to communicate the project's successes to the whole organization. Eighteen months after launch, the purchasing transformation was on track to exceed some radical savings goals in many categories. The transformation was recognized as one of the most significant efforts the company had ever undertaken, not only because of the bottom-line impact, but also because the project fundamentally changed the way the organization operated.

Companies that have invested in developing best-in-class purchasing capabilities have nearly double the margins of those that have not. By identifying the capabilities that will drive value, building them in real work situations using adult-learning principles, and institutionalizing them, a company can create sustainable performance improvements that enhance the bottom line.

Steffen Fuchs, Gillian Pais, and Jeff Shulman

Source: Mckinsey Quarterly, May 2013

USEF – Convert your CMA into an MBA

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The details of the Institute's CPD program can be found here.

What's On in the World of the CMA?

- May –July 2013: Business Sense CMA Program (**Philippines**)
- May 2013: Multi Media University CMA Program (**Malaysia**)
- May-July 2013: IPMI Regular CMA Program (**Indonesia**)
- June 2013: IPMI Intensive CMA Program (**Indonesia**)
- July 2013: Academy of Professional Education CMA Program (**India**)
- July-Aug 2013: University of GadjahMada CMA Program (**Indonesia**)
- Aug 2013: Telekom Indonesia CMA Program (**Indonesia**)
- Sept –Nov 2013: Business Sense CMA Program (**Philippines**)
- Oct-Nov 2013: University Airlangga CMA Program (**Indonesia**)
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