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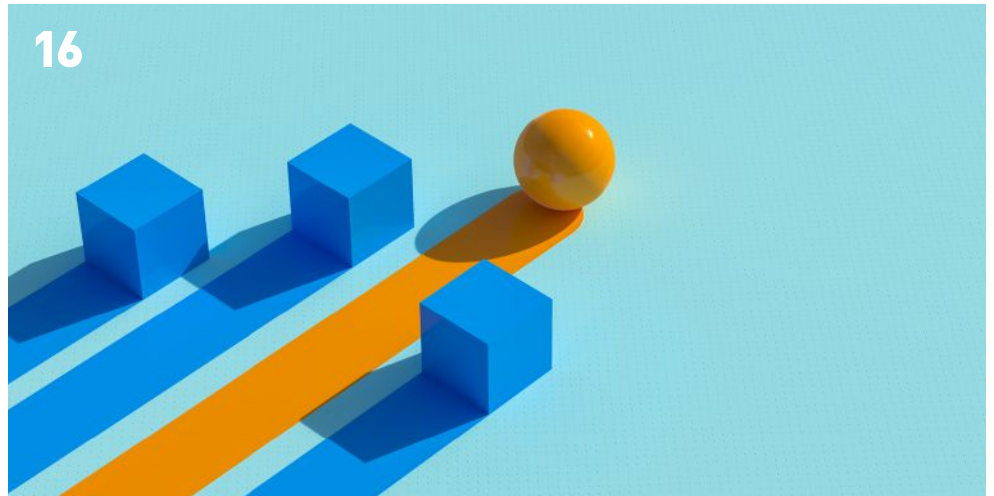
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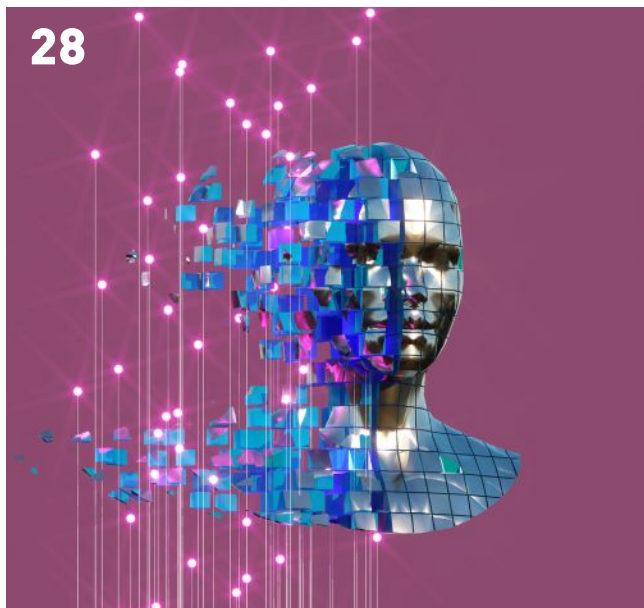
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THE VIEW FROM THE PRESIDENT

SARAH GHOSH, FCMA, CGMA



I've written before about how we are only beginning to see the extent to which technology is changing the way we work. By tapping the exponentially increasing capabilities of new technology, the value that digitally enabled management accountants can add to organisations in the future will be vastly greater than we can achieve now.

There will be knock-on effects from this enhanced analytical power, and we are already starting to see some of these. We know from [AICPA & CIMA research](#) that the days when finance professionals were just the "numbers people" are gone. AICPA and CIMA members work on corporate strategy, digital transformation, investment decisions, and sustainability and environmental, social, and governance (ESG) initiatives, to name just a few.

The widened scope of our work requires us to develop technical knowledge, practical experience, and a holistic skillset. Our members are already partnering with other business functions, including risk, governance, intrapreneurial teams, HR, and marketing. This partnering is possible because of our commercial acumen, our understanding of the business, and our finance, analytical, and people skills. These are all transferable, and can be applied to a far greater range of problems than recording information and enforcing compliance.

We have only just begun to see what future management accountants will be able to achieve through technology. A recent forecast by Gartner illustrates the scale and pace of the coming change. It predicts that generative AI application programming interfaces (APIs) and models or generative AI-enabled applications deployed in production environments will have been used by more than 80% of businesses by 2026. In early 2023, the figure was less than 5%, so you can see how fast and wide-ranging these changes will be.

Intelligent applications will continue to automate work, and their augmentation of the workforce's capability will drive efficiencies and allow more of our time to be spent on value-adding activities.

Alongside the opportunities that new tech brings there are additional risk and security management issues. Our profession must play its part in mitigating and addressing these risks, particularly in the field of cyber security, which is becoming a core competence for us. We are becoming the custodians of data for AI and machine learning models, which depend on high-quality assured inputs to deliver credible outputs.

The adoption of emerging technologies will place a premium on high-level skills and the digital competencies needed to take advantage of these developments.

Don't be lulled into believing all this change will be easy. There is no getting away from the fact that transformation of any kind will be disruptive, and managing the process will require diligence, accountability, and transparency as well as communication, emotional intelligence, collaboration, and leadership skills.

These changes are opportunities for us to seize — there is no realistic alternative to doing so. Digital transformation and the stakeholder-driven move towards sustainable business practices cannot be reversed, even if we wanted to. It means the workplace of tomorrow is going to be radically different to the one we are used to.

I firmly believe that the skills, training, and experience of management accountants mean we have a valuable role to play in this future. If we are to do this, we need to take the initiative, accelerate our upskilling, and begin looking for new ways we can add value to the organisations we serve. If we do this, our profession has a very bright future ahead of it.

Opportunities to seize

**'The adoption of emerging
technologies will place a premium
on high-level skills.'**

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Data analytics: The upskilling imperative

By Andrew Harding, FCMA, CGMA

The modern workplace is a data-driven environment. Organisations can forecast and budget with huge amounts of information to aid them. If ever there was a time when decisions were taken based on gut feeling, it is well and truly over.

Ever-increasing processing power is not only providing us with more sophisticated analytical tools; it is also opening up new sources of data to use.

These enhanced analytical possibilities place our profession in an elevated position. We are well used to supporting business decision-making with robust analysis. In this new era, we can apply that analytical power across an organisation, not just to financials.

Think about how market research has changed in the past ten years. If we want to find out more about what our customers think, we can now analyse social media feeds and other big data sources, as well as commission traditional research. Alternatively, look at how management accountants are helping organisations achieve their sustainability goals by analysing nonfinancial data and using the results to suggest process and procurement improvements.

Applying digital insight

Modern finance teams add the maximum possible value when they apply digital insights from their “whole organisation” viewpoint. Accounting professionals have a deep understanding of the business and operating models, which is further enhanced through the advanced analytical techniques we can now deploy.

This unique perspective provides a robust basis for advice and providing options at the highest level of decision-making. It is the key to moving our profession from a position of influence to one where we make the greatest impact on the overall direction of the organisations we serve.

Business leaders have always been able to turn to us to find out how the organisation is really performing. The power of data analytics means they will increasingly ask us where organisations should be heading and what steps are needed to get there. Therein lies the value we will be adding to the organisations of tomorrow.

Transforming our skillsets

To take advantage of these opportunities, finance professionals must commit to learning, unlearning, and relearning their skills and knowledge.

I suggest the following resources to give you a strong grounding:

- Through a wealth of courses across many topics, the [Finance Transformation Certificate](#) covers the CFO’s changing role, the skills you’ll need for the future, and the competencies that underpin these skills.
- To learn the core concepts of data analytics, how to conduct an effective data analytics project, and how to develop a data-driven mindset, see the [Data Analytics Core Concepts Certificate](#).

These resources will prepare you to take advantage of the huge range of opportunities the digital workplace offers. Being digitally literate is a non-negotiable core skill, and the more you can take advantage of the new tools, the greater the opportunities you can seize. Developing digital skills is the key to building a successful and fulfilling career in the data-driven era. ■

Andrew Harding, FCMA, CGMA, is chief executive—Management Accounting at AICPA & CIMA, together as the Association of International Certified Professional Accountants.

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Effective delegation: How managers can empower their teams

Delegation requires preparation and communication of the big picture and desired outcome — coupled with the time and tools to achieve it.

By Raju Venkataraman, FCMA, CGMA

Managers can multiply their capacity and impact through the actions of others by delegating effectively. Effective delegation frees you up for more important tasks and empowers your team members, but not all managers delegate effectively.

Common reasons why managers fail to do this are that they:

- Underestimate the capabilities of team members, giving them fewer responsibilities than they can take on.
- Overestimate team members' capabilities, giving them less guidance than they need.
- Are insecure and do not want their direct reports to outshine them.
- Start to delegate but do not tell the team what they are doing and why.
- Enjoy doing the work themselves and believe that they can do it faster.
- Don't have the luxury of time to explain things to a team member.
- Feel guilty about giving more work to an overworked staff member.
- Delegate but fail to take responsibility for the results. Delegation is certainly not equivalent to abdication or dumping unpleasant tasks on others.

Let's consider some key benefits of delegating work well:

- It will likely take you less time to do something yourself versus teaching someone else, but isn't that self-sabotage since one of your key performance indicators as a manager is to develop and nurture people?
- By systematically delegating tasks and developing people, you will have also prepared your successors. After all, if you can't be replaced, you can't be promoted.
- When people feel that they are trusted and respected, they tend to have a higher level of commitment to their work, their business unit, and their manager.
- Delegation frees up a leader's time to carry out broader responsibilities in the areas of determining direction, aligning resources, and energising people.

Delegation means assigning responsibility and authority to someone to complete a clearly defined and agreed-upon task, while you retain ultimate accountability for its success.

Preparatory work before delegation

Preparing to delegate includes being conscious about your primary motives for delegating (for example, to decrease your workload or to motivate team members). So, determine exactly what work to hand off (and, what not to), decide how large a slice of the work you will delegate (just a task or an entire function), and specify the skills (thinking, technical, and interpersonal, etc.) required to successfully complete it.

You'll also need to identify the best person for the assignment and determine the level of authority to be delegated. Here are five helpful tips:

- Delegate to people whose judgement and competence you trust.
- For less skilled staff members, seek to develop them by delegating highly structured assignments (eg, compiling

figures for your monthly report). Start by delegating small tasks or projects so you can gradually build their confidence — and your own in the process.

- Seek to provide visibility and career advancement opportunities to team members by delegating work that involves face time with your own manager or with a high-level manager in another division.
- If you delegate to the wrong person, you may spend too much time instructing and supporting them. If you delegate too much to one person, you risk incomplete results and an unhappy, stressed team member.
- When you have a pool of resources to choose from, pairing people with complementary skills can help you achieve the best results. For example, a team member with good writing skills may be tasked with drafting the content for a new sales brochure and asked to partner with another person with graphics and production skills who is tasked to complete the layout.

Things to keep in mind for effective delegation

As you proceed to delegate, you need to keep in mind the following factors to ensure positive outcomes from delegation. They include context, purpose, quantity, quality, timelines, resources and restrictions, dialogue, and follow-up and feedback. These factors derive from an approach created by Elliott Jaques, a 20th-century Canadian organisational psychologist.

Context and purpose

The manager must help the team member understand three things:

- Why is solving this problem important to the organisation's strategy, to me the manager, and to my boss?
- Where does it fit in with other work being done by the team and others?
- What other things might affect this work?

It is rare that a delegated task sits alone. Each small task is usually a step towards a larger vision. If you give your team members the context about what is at stake and help them understand how their task fits into the big picture, then you increase the relevance of the task for them and enable them to make better decisions around the task. They are more likely to take accountability for their actions and will work harder, not just to perform their tasks, but to achieve the larger goals.

As you communicate the big picture and ideal outcome, add a dose of motivation. Make it clear how accepting the challenge and doing a good job will benefit the person taking on the job. For example:

Instead of saying, "Please write a letter to our suppliers about our new purchasing and vendor policies", say something like:

"I believe you are familiar with the rationale and details of our recent expense control measures. If not, feel free to ask me questions. I am happy to discuss and offer clarifications. I realise this job will add to your normal workload, but I am confident that this assignment will help you learn invaluable skills in managing supplier relationships."

‘As you communicate the big picture and ideal outcome, add a dose of motivation. Make it clear how accepting the challenge and doing a good job will benefit the person taking on the job.’

Quantity and quality

You need to know how much of what needs to be produced (for example, the number of manufactured units or length of report to write). In the case of professional work, this element of quantity may not be always relevant.

Quality refers to the specification of what “good enough” or “complete” means in this assignment. It is the most challenging part to describe because often it is subjective.

Be specific about the outcome you expect and don’t expect people to read your mind. If the finished output needs to be meticulous, the manager must be clear about this in the request.

Importantly, delegate the results, not the process. Most people learn and perform better when you give them autonomy over their work. So, unless the person you’re delegating to is inexperienced, allow them to determine how best to complete the task. If you dictate every aspect of the task, they won’t learn so much, and you won’t get the full benefit of their experience.

For tasks that need a particular protocol or procedure as per the organisational policy or client requirements, make this clear and explicit. However, if a task can be done in multiple ways and the outcome is key rather than the process, then allow for creativity and let go of wanting them to follow only your method.

Timelines

The manager must describe how time relates to the task. Avoid saying things like “as soon as you can” or “when you have time” unless you really don’t have a deadline. However, in that case, is it really a task?

Specify exactly when the task needs to be completed or how much time is allocated to complete the task. For example:

- “My presentation at HQ is scheduled for 12 November. I need the draft presentation from you by 31 October latest. Can you do that?”
- “Let’s schedule a meeting for you and me for 45 minutes at 3pm on 1 November to go through your draft so

that I can give you feedback. I need to have the final presentation ready by 5 November so that I have a week to prepare. This crucial presentation will help us secure the additional resources we need to deliver on the stretch targets expected of us.”

Agree on due dates for interim milestones that lead up to the final result (scheduling periodic check-ins for monitoring progress of the task is covered in the “follow-up” section later).

Resources and restrictions

It is a major leadership failure to delegate and *not* provide the resources to make it happen. Ask yourself the following questions:

- What does this mission really need if it is to be successful?
 - What are the things my direct report must have or may need to accomplish this task?
 - How am I, the manager, going to provide them?
- Resources can be anything that can help employees learn and resolve issues on their own — people (additional staff or an introduction to someone they will need to work with), tools (such as software or training), information, or development opportunities.

Real-life situations are far from ideal, and managers may sometimes face legitimate resource constraints, yet work needs to be delegated and accomplished. For such situations, it is important to (1) try to manage expectations with stakeholders with respect to timelines and deadlines; (2) be prepared to be flexible and loosen up timelines to the extent possible so that the team member doesn’t feel like they are being set up to fail; (3) be as creative as possible in rustling up additional resources (it could be interns, temporary staff, borrowing staff from other office locations or departments); and (4) (when necessary) accept the situation without feeling defeated.

Remember that most people produce their best work when they’re under a little pressure, but those benefits fall away if that pressure becomes excessive.

Another critical point here is that there will be times when the team member hits a major roadblock or reaches an impasse. Unless it is time-critical or it’s an emergency that requires someone else to step in, treat it as a learning opportunity. Coach the team member through it and make sure they get the resources and knowledge needed to complete the task. That way, the employee will be better equipped to carry out similar tasks in the future.

Dialogue

Dialogue is the one of the delegation skills that is often missing with many managers. Because the manager already knows how to do the task, they may assume that the team member will know how to do it, too. Instead, once you have communicated about the above aspects of the responsibility being delegated, you should confirm the team member’s understanding, encourage them, and respond to questions. This becomes even more important with three generations working side-by-side in the workplace — Gen X, Gen Y (Millennials), and Gen Z.

“I had already mentioned to them how I wanted it done” or “Oh no, this is simply not what I wanted” are examples of the conversation when a manager has not taken the time and effort to have a dialogue with the team member to invite questions, offer responses, confirm understanding, and inspire commitment.

Seek to build confidence and competence of team members by asking good questions (adopting a coaching style of leadership) rather than giving orders. Encourage your team members to come to you with problems, but teach them to also bring their own ideas, observations, and possible solutions. Open-ended questions like “What other approaches are possible here?” will help them expand their thinking.

Follow-up

The manager should maintain engagement levels sufficient to provide adequate support while seeking desired accountability. Having check-ins allows you to determine if there are unforeseen challenges, answer any questions, or make adjustments to timelines as needed.

Schedule check-ins as part of the assignment by saying things like:

- “Let’s meet for 30 minutes every Thursday at 1pm to talk about where you are in the project and what needs to be done and by when.”
- “I want a weekly status update by Friday noon on each of these activities.”

The frequency and level of detail of the check-ins will often be determined by the following:

- The size and complexity of the delegated task.
- The amount of uncertainty and/or risk associated with the task.
- Your assessment of the experience or skill level of the team member.
- Your familiarity and comfort level with that employee.

You can’t escape failure by telling your boss, “I asked Brian to do that job, and he let me down.” Such excuses will only reveal your own failure to delegate wisely and monitor progress.

Feedback

Two-way feedback is an essential part of the delegation process. Show your gratitude and appreciation for the delegate’s commitment and efforts when the task is complete. As needed, you can offer constructive criticism paired with encouragement to help them tackle any shortcomings.

On the other hand, managers can also learn about their own areas for improvement. Consider asking yourself:

- What worked?
- What didn’t work?
- What can I do differently the next time?

Making delegation work

For delegation to be effective, you need to put in the upfront work to train, clarify, and set expectations for the outcomes you need your team to achieve.

The beauty of this stepped approach is its simplicity and versatility. Although it can simply be used by the manager to ensure all the correct information has been conveyed as the

LEARNING RESOURCES



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task is being assigned, it can also be used by the team members as a checklist for whether they have all they need to do the work.

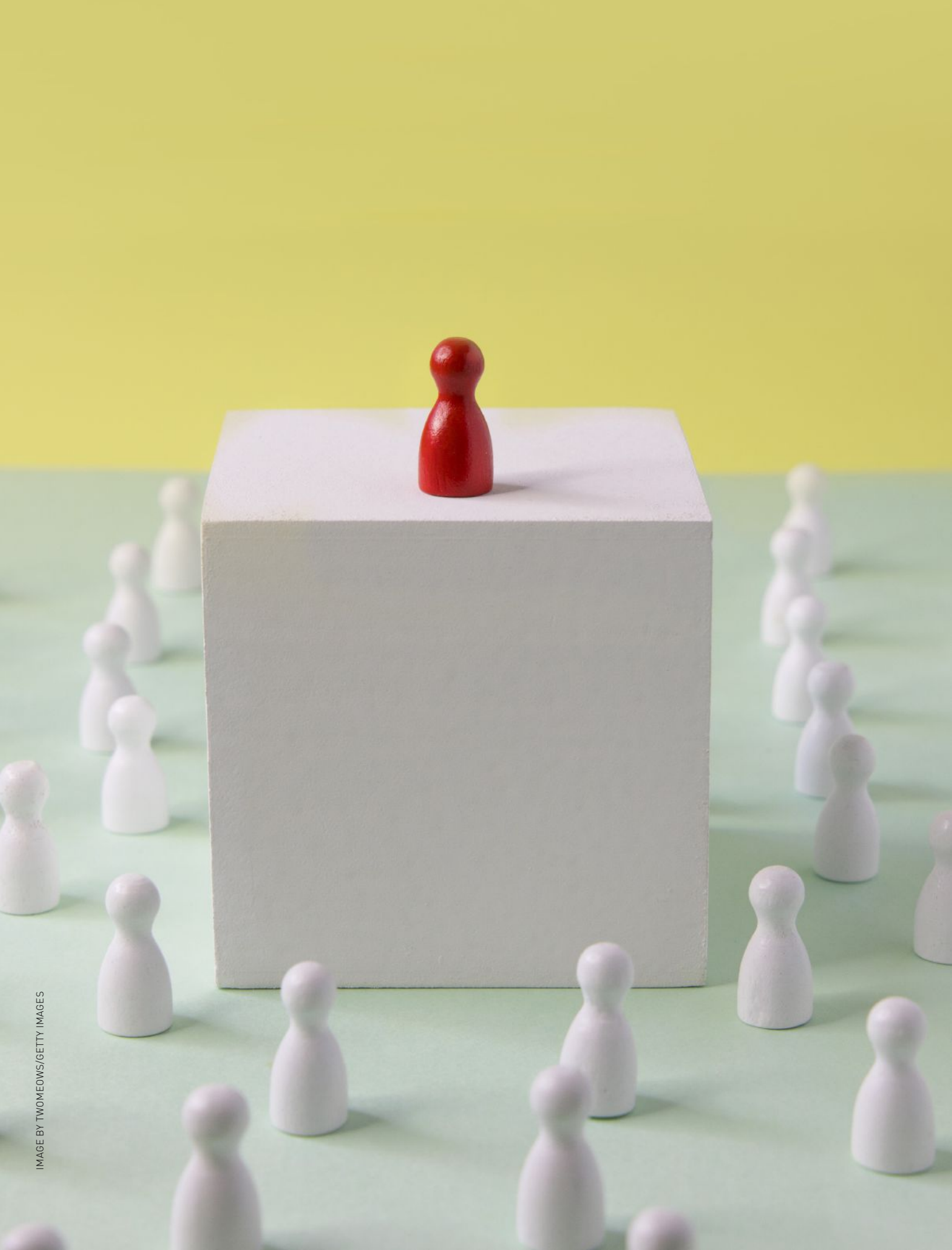
Effective task assignment is all about starting with the big picture, moving to the specifics, and ending with responding to questions to confirm common understanding. Learn to develop your delegation skills, and you will multiply your managerial effectiveness. ■

AICPA & CIMA resource

Research report

[Finance and the Great Reshuffle](#), AICPA & CIMA, April 2023

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Working for a new boss: How to navigate the change

A new boss can be an opportunity to develop your own career, so focus on relationship-building and adopting a forward-looking mindset.

By Rhymer Rigby

A new boss is always a big change — all the more so if it was the outgoing boss who hired you. But with the right approach, a changing of the guard can be an opportunity for you to get ahead.

Where do I start?

Begin with a reality check. Bosses come and go, and this is the kind of change you should always have at the back of your mind. Sometimes people feel a bit abandoned when their boss moves on, and it may feel personal if that boss had hired you — but it isn't.

Next, find out why the new boss is joining, if you don't already know. This is important: If your previous boss is leaving the company and the new boss is a direct replacement, that's one thing. If the new boss has been brought in with a mandate to shake up your poorly performing team, then it's quite another.

Once you know the background, do your homework on the new boss. What sort of person are they? How do they like to run a team? What's their track record? If you know anyone who has worked for them, take that person out for a coffee. You're not spying on your new boss or gossiping — you're

gathering valuable information that will help you deliver for them and get ahead.

What should I expect?

In a word, change. Everyone wants to make their mark. Even if the new boss is a "continuity boss" making limited changes, they are likely to have different ways of doing things, and they may well have a different management style. So, you need to be prepared to be flexible, adaptable, and open to new ways of doing things.

Get off to a good start

You never get a second chance to make a first impression. So, make sure you're ready, even if your new boss is meeting the whole team together. Do a bit of thinking about obvious questions they might ask. Also, consider some intelligent, positive questions you can ask. If the meeting is one-on-one, you really need to prepare. Try to be confident, positive, and open. But be careful — you don't know what preconceptions (if any) they have about you, and you don't know what views they have. Although they are unlikely to be asking "gotcha" questions designed to catch you out, you need to keep your diplomatic antenna out and avoid controversial opinions or frivolous statements, or needlessly butting heads

with them. Look for personal connections — shared interests such as family, sport, and hobbies — that will help break the ice and build rapport.

What if my previous boss left under a cloud?

Here you have a bit of a balancing act to perform. You want to be frank about what wasn't working, but you also need to be positive and constructive. So, if you're asked what can be improved, try to focus on the solutions and the future, not the problems and the past. Don't moan about your old boss; it will make you look disloyal. If you are asked directly about problems that occurred under your old boss, answer factually, but avoid getting personal. A lot of this is about how you frame it. For example, saying, "Appraisals could have been more regular and robust" is better than, "He didn't bother to give us appraisals."

Look for opportunities

No matter how well you got on with your old boss, a new person will mean a chance to do things differently. So, think about the parts of your job that you dislike or want to change. How can you expand the role? Did your previous boss hold you back in any way? A new boss can be a real chance to redefine your job for the better.

‘You never get a second chance to make a first impression. So, make sure you’re ready, even if your new boss is meeting the whole team together. Do a bit of thinking about obvious questions they might ask.’

Be there for your new boss, too. It’s going to be a steep learning curve for them. Focus on delivering what they need and making their life easier. If they are taking over an existing team, you may be able to position yourself as their invaluable go-to person. Understand what their goals are and how you fit into them. Don’t go too far, though. You want your boss to see you as competent and helpful, not a nuisance who constantly seeks engagement. Again, you need to strike a balance.

What do I need to watch out for?

The situation can be harder if the boss was brought in to sort out problems, particularly if they come with several of their own hand-picked people. You may feel like you are a lesser team member who is tainted by association with the past. The trick here is not to get into this mindset. Instead of seeing yourself as part of a discredited old order, position yourself as a confident, competent person who very much



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 COURSE

wants to be part of the new order. Work on relationships with your new teammates, as well as your new boss.

If things are tricky, ask for a one-to-one with your new boss. Explain that you want to deliver for them and draw a line under what went before. You were a good team player who did their best in difficult circumstances. Here it’s worth remembering that your boss probably wants to make things work too. Replacing staff can be a costly, productivity-sapping process.

What if it just doesn’t work?

Give it time. Change often takes a while to become effective. But don’t give it too much time. Perhaps you’re not part of your new boss’s vision, and, if things really aren’t working out, you need to have that conversation with them. Try and keep it constructive. Can you work elsewhere in the company? Is redundancy with a decent payoff an option? These things are often seen as very adversarial, but if you have the right attitude they can actually be quite cordial. You both tried, it didn’t work, and it’s nobody’s fault. You need to ensure you part ways in a manner that works best for both of you. ■

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AICPA & CIMA resources

Podcast

“[Bad Relationship With Your Boss? How to Fix It](#)”, *JofA*, 15 April 2019

Article

“[Managing Up Successfully for Career Advancement](#)”, *FM* magazine, 27 July 2023

Rhymer Rigby is an FM magazine contributor and author of The Careerist: Over 100 Ways to Get Ahead at Work. To comment on this article or to suggest an idea for another article, contact Oliver Rowe at Oliver.Rowe@aicpa-cima.com.

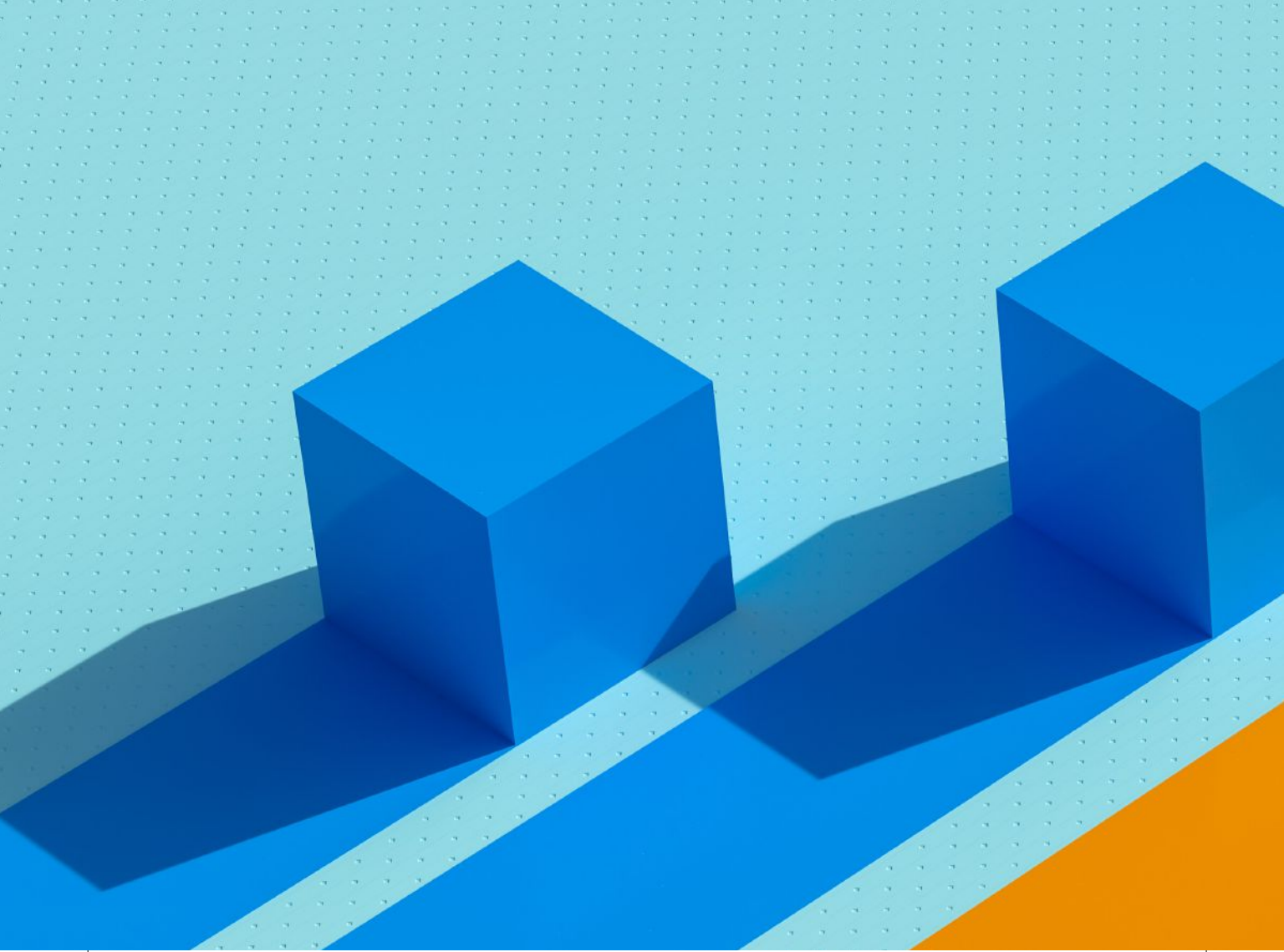
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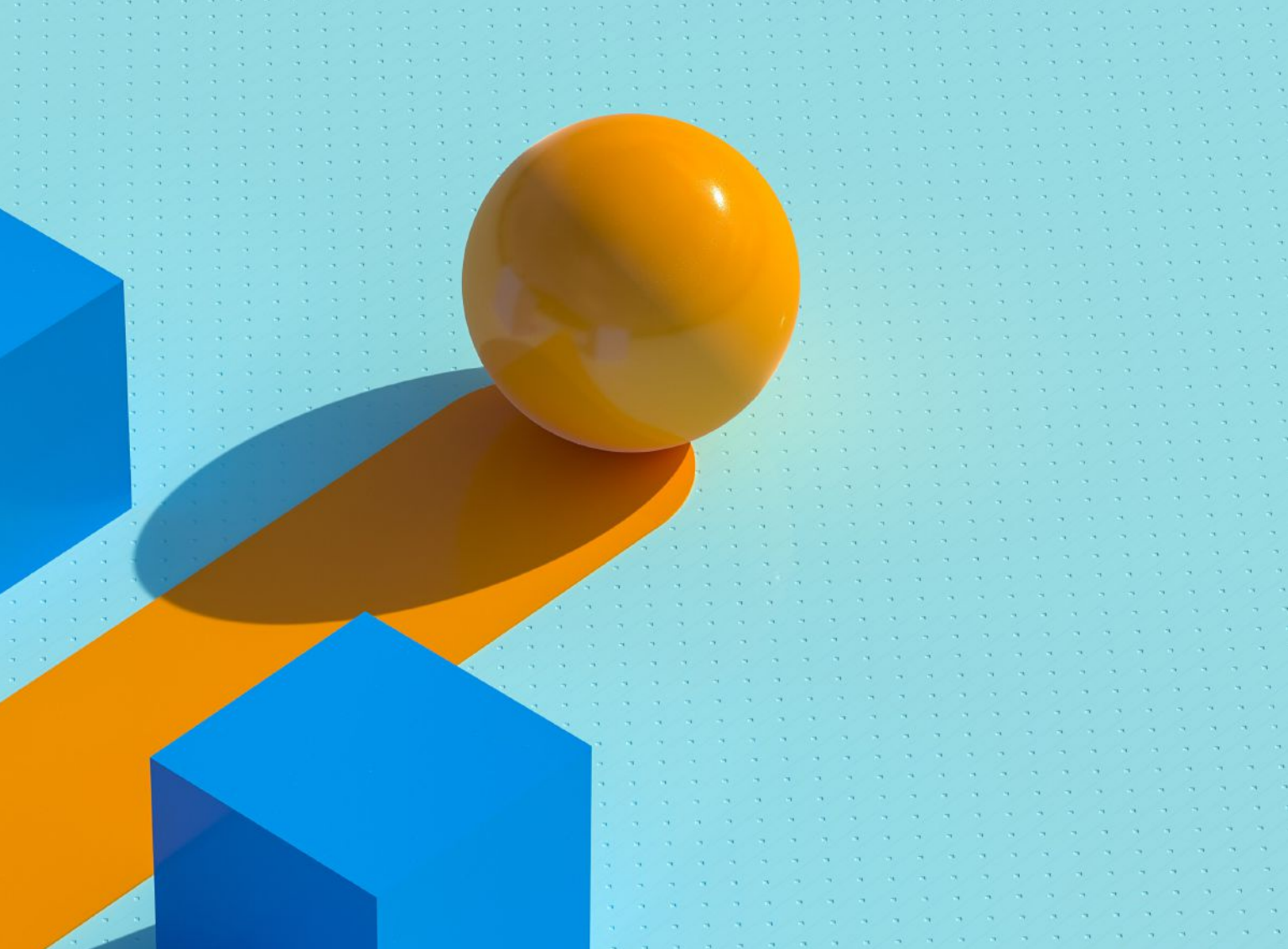


Strategies for advancing to the C-suite

Expanding your skillset and keeping an open mind to new opportunities can pave the pathway to top leadership roles.

By Teri Saylor

IMAGE BY GOCMEN/GETTY IMAGES



Finance professionals seeking a pathway to the C-suite will have a better chance of success if they strategically manage their careers and craft the building blocks needed to lift themselves to the ranks of top leadership.

Along the way, they will need to master essential skills that will enable them to lead diverse workforces. Those skills include becoming more proficient in their technical abilities, developing essential leadership skills, and practising strategic thinking, said Kenny Lee, FCMA, CGMA, vice-president of finance at Cyan Renewables in Singapore.

“It can be both a challenging and rewarding journey that takes passion, determination, and vision,” Lee said.

Lee, along with Rebecca Morland, co-lead of the global financial officers practice at organisational consulting firm Korn Ferry in London, mapped pathways for aspiring leaders to advance to the C-suite and described the steps along the way.

Explore diverse leadership opportunities

Because of the prevalence of global business and shared services arrangements today, it is increasingly challenging for finance leaders in business units to experience responsibility for a large headcount, Morland said.

“Today, CFOs are so much more than the finance leader alone,” she said. “In many companies, they are also the deputy CEO, the owner of transformation, responsible for ESG elements, and a key representative to external stakeholders, including investors.”

To prepare for the breadth of the role, aspiring CFOs need to obtain many different experiences and expand and test themselves outside of their comfort zone.

“This could mean taking general management roles, taking overseas assignments to test their cultural agility

and get exposure to emerging market economics, or moving into other finance sub-functions such as treasury or investor relations where they have not yet had experience,” Morland said.

Opportunities like these, as well as secondments and job-share opportunities, will provide a broad knowledge base, even if the upward trajectory is not obvious.

Lee added that often, a series of lateral moves designed to gain proficiency may be more valuable than a vertical progression. He recommended being open to taking on cross-functional projects that, in the end, work out to be valuable learning experiences.

He described his personal career advancement as more “organised chaos” than steady, continuous progress. He added: “The knowledge I gained in my lateral roles played a key role in preparing me for vertical progression to my corporate role as a top leader.”



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Seek out mentors

Lee advised finance professionals to connect with mentors and follow the examples they set during their journey to the C-suite. He emphasised spending quality time with them and focusing on building whole relationships rather than simply professional ones.

"I am blessed to have had a few mentors who were very open towards sharing their experience and knowledge," he said. "Over the years, I have developed a strong relationship with my mentors, both past and present, and I view them as friends."

It often helps to tap into more than one mentor.

Morland said having many mentors can be regarded as having a personal board of directors who can offer different perspectives and skillsets.

"Developing a kind of mentoring council around your professional needs gives you a wealth of resources for specific issues by providing someone to go to if you have a stakeholder issue, and someone else to go to if you have a finance problem to solve," she said.

Whether you have one or two mentors or an entire circle of them, it is important to think carefully about what you want out of your mentoring relationships and focus on how best to gain value from those relationships.

Be comfortable with taking risks

As finance leaders, it is vital that we take on business risk while protecting our shareholders' assets and ensuring compliance, Lee said.

"Be willing to step out of your comfort zone," he advised. "As a member of the leadership team, you are expected to do your part and lead by example, and sometimes that means delivering outcomes that are outside your usual functional capabilities."

Often, those outcomes lead to transforming your organisation's business model.

"Leaders today are valued when they can demonstrate their capabilities as a change agent," Lee said.

"We multiply our value when we motivate our stakeholders to work towards a common goal, creating synergy whereby the whole will be greater than the sum of the parts."

Keep an open mind

Sometimes, aspiring CFOs believe they must leave their current place of employment to advance their careers, but that's not always the case.

Morland advises finance managers to continuously examine opportunities for internal promotions as well as external ones, as organisations are often keen to promote from within rather than seek outside leaders.

"I think companies have gotten so much better around succession planning," she said. "And companies work on those plans quite diligently."

If you receive an opportunity you haven't considered before, it might pay to at least explore how that might help you grow within your organisation, she said.

Across the course of a career, what appear to be surefire opportunities may not materialise because of changes beyond your control, Morland added.

And that's why ongoing self-evaluation and understanding what fulfils you as a leader will help keep you on the path to accomplish your goals.

"Overall, in your journey to the C-suite, it helps to keep an open mind and remember to seek leadership roles that give you satisfaction because people tend to perform at their best when they do what they really enjoy," Morland said. "Always keep your eyes open for something you might never have thought of before, because it could be exciting and lead to great things." ■

AICPA & CIMA resources

Articles

["How to Develop as an Informal Leader and Influencer"](#), *FM* magazine, 20 September 2023

["People-Centric Leadership Can Improve Resilience, Report Finds"](#), *FM* magazine, 20 September 2023

Podcast

["Advice from Sibling CEOs: Be Yourself, Be Curious, Be Accountable"](#), *FM* magazine, 23 August 2023

Teri Saylor is a freelance writer based in the US. To comment on this article or to suggest an idea for another article, contact Oliver Rowe at Oliver.Rowe@aicpa-cima.com.

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Why fraud temptation arises and how to mitigate risks

Employers can address internal fraud risk by understanding the fraud triangle — three factors that when present increase the likelihood that fraud occurs.

By Xose Lumor

Fraud is a crime that can have a debilitating effect on its victims, with devastating consequences for the individuals and businesses targeted. It requires premeditation and a commitment to disregard the harm it causes.

More than half (52%) of large companies experienced internal fraud in 2020 and 2021, according to [PwC's Global Economic Crime and Fraud Survey 2022](#). That is the highest level in 20 years of survey research. About one in five of those companies (18%) reported that their most disruptive incident of fraud cost them more than \$50 million.

Given the scale of the fraud problem, it's necessary to understand not just the how, but also the why. This is where the fraud triangle, a framework developed by criminologists, becomes relevant. It is referred to in auditing, and states that when three specific conditions are present, the likelihood of an individual's committing an act of fraud increases. Those conditions are:

- A perceived need, pressure, incentive, or motivation;
- A perceived opportunity; and
- A rationalisation as to why fraud is acceptable in the circumstances.



Perceived need or motivation

Individuals can find their personal circumstances upended for any number of reasons. They may struggle with poorly set corporate objectives — such as what happened at US financial services company Wells Fargo and German automaker Volkswagen. Pressures such as the rising cost of living or increased expenses associated with taking care of a sick relative can also create an overwhelming financial need.

Others may be motivated by, for example, the frustration of feeling as though they are earning less than they should be or less than others in their social circle. Addiction, such as a

gambling addiction, can also be a motivator to commit fraud. Then there are those who are pressured by others to be complicit in fraudulent behaviour, or to look the other way when it occurs.

Whatever the circumstances, individuals in these situations often feel unable to disclose their troubles. They may fear the consequences of sharing personal circumstances or have concerns associated with social stigmas. In any case, this pressure, perceived or otherwise, can build until a person has lost the ability to think of other solutions.

None of this is an excuse for fraudulent behaviour. Perpetrators may justify their actions by convincing themselves that it is a victimless crime, but we should not lose sight of the fact that the consequences of fraud can be devastating. We can, however, still recognise that the types of pressure that drive some individuals to commit fraud are common and can, under certain circumstances, affect almost anyone.

For individuals feeling such pressures, seeking support at the earliest opportunity is advisable, whether that be professional advice or support from trusted loved ones. Catching problems early prevents them from escalating to the point where it feels as though an illegal solution is the only choice.

For employers, addressing this risk is difficult. Having a broad range of good value benefits can provide practical solutions and comfort to employees in difficult times. Such benefits can also make a company an employer of choice in a competitive landscape where the best employees are looking for the best salary and benefits package available.

Perceived opportunity

When the pressure builds, there can come a point when those feeling its effects become desperate enough to act. Then there need only be the sight of an opportunity to alleviate the pressure.

Maybe the process for approving overtime is lax. Maybe the petty cash is loosely monitored. It could be that invoices are approved without much scrutiny or oversight. Whatever the case, at this point, with the pressure inescapable, the seed of misconduct has been sown.

It's important to understand that this perceived opportunity takes hold partly because of the temptation that a fraudulent act can solve the individual's problems without anyone finding out they were in a place of difficulty in the first place.

Clearly, it is crucial for organisations to protect themselves against fraud. Just as there are myriad ways to fall victim to fraud, there are numerous ways to guard against it. Internal control processes that are straightforward to implement and provide the necessary level of oversight can prevent individuals from even taking a chance. However, it is not enough to put these processes in place; they must be enforced and monitored. It is also important to ensure that there are procedures in place to address a breach of controls. An unenforced policy is of little use.

Although effective controls against fraud are necessary, a unified company culture with clear values is one of the best deterrents. Although discussions of intangibles such as culture or values can sometimes leave people underwhelmed, what we are really discussing is behaviours.

Although effective controls against fraud are necessary, a unified company culture with clear values is one of the best deterrents.

These refer to acceptable norms that are promoted and unacceptable conduct that is not tolerated. An ethical culture needs well-defined behaviours that make clear acceptable and unacceptable acts. For example, organisations can model the desired behaviours they wish to foster, with senior leadership visibly embodying the standards expected. Awards and rewards should recognise desired behaviours, and businesses should invest in skills training and resources to help staff develop ethical problem-solving skills.

Rationalisation

Many people who commit fraud know it is wrong, which is why they often convince themselves that they, or their personal circumstances, are an exception. Further, a belief that they can evade detection emboldens many to act.

The absence of a rationalisation for fraudulent behaviour is one of the last safeguards against fraudulent activity. Once a person's difficulties become too heavy a burden to bear, and an opportunity to alleviate that burden arises, what remains is the question, "Why shouldn't I?"

An employee taking money from petty cash may tell themselves they are only borrowing it and will replace it later. Maybe an employee alters reported earnings, hoping that future income will

increase to cover for underperformance and the employee can re-adjust the figures by year-end.

Requirement 111.2(a) of the *CIMA Code of Ethics* (sec.111, "Integrity") states that a professional accountant shall not knowingly be associated with reports, returns, communications, or other information where the accountant believes that the information in question contains "a materially false or misleading statement". Paragraph .05 of the "Knowing Misrepresentations in the Preparation and Presentation of Information" interpretation (ET sec. 2.130.010) of the *AICPA Code of Professional Conduct* under the "Integrity and Objectivity Rule" (ET sec. 2.100.001) states that if a member in business "makes, or permits or directs another to make materially false and misleading entries in an entity's financial statements or records", then the member will be considered to have knowingly misrepresented facts in violation of the "Integrity and Objectivity Rule". Clients,

employers, regulators, investors, those charged with governance (eg, the board of directors), and lenders or other creditors must be able to trust that reporting is accurate and that an accounting professional can be trusted to provide reliable information. That is why the AICPA and CIMA codes are explicit in prohibiting misleading reporting.

Again, implementing and properly monitoring effective controls alongside a properly cultivated corporate culture is vital to curbing the rationalisation of fraudulent behaviour. Ingraining a strong sense of professional values based on honesty and integrity is a good starting point for organisations.

Using data analytics to identify areas of noncompliance and providing effective training to rectify problems also curb the temptation to rationalise fraud. Including images and words in company policies that encourage and reward integrity can help people internalise desired behaviours. ■

AICPA & CIMA resources

Articles

"[Ethics in Action: Pressure to Commit Fraud](#)", *FM* magazine, 25 January 2023

"[Set Growth Objectives That Won't Lead Employees Astray](#)", *FM* magazine, 1 December 2017

Websites

AICPA & CIMA have resources on "[Fraud and Financial Crime](#)". AICPA members should review the AICPA *Code of Professional Conduct*, specifically the section "[Preparing and Reporting Information](#)", while CIMA members and registered students should review the *CIMA Code of Ethics*. There are other resources on the *AICPA & CIMA website*, such as the "[Ethics checklist](#)", which can help you decide next steps if you are unsure how to proceed in the face of an ethical dilemma.

For further guidance, get in touch via the CIMA [Ethics helpline and support](#), or contact the AICPA ethics hotline at ethics@aicpa.org. While AICPA & CIMA staff are unable to give legal advice, they can talk through your concerns with you, direct you toward relevant sections of the pertinent codes and available resources, and help you consider your next steps.

Xose Lumor is manager, Advocacy and Professional Ethics–Management Accounting at AICPA & CIMA, together as the Association of International Certified Professional Accountants. To comment on this article or to suggest an idea for another article, contact Oliver Rowe at Oliver.Rowe@aicpa-cima.com.



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Are you and your finance team fully embracing technology?

Finance leaders can ask themselves series of questions — on strategy, collaboration, processes, and extracting insights — to be empowered with technology.

By Nancy Marc-Thrasybule, CPA, CGMA, and Jocelyn Turner, ACMA, CGMA

When it comes to technology, there is no telling how far it can go or how much it can revolutionise our world. That goes for both our personal lives and the organisations that we work for.

Technology is steadily changing the way we think, the way we interact with one another, and the way we do business. For many years now, it has been transforming business operations, models, and mindsets. Just in the past couple of years, this transformation has dramatically accelerated and shaken up the workings of the finance function. The impact of these changes is explored through AICPA & CIMA's [Future of Finance 2.0](#) research project and specifically through the paper [The Digital Journey of Finance](#) [login required].

Our research reveals that digital transformation is no longer about gaining a competitive advantage; it is necessary to drive value and, ultimately, for business survival. Our findings show that the finance function is uniquely positioned to lead a broader digitisation across the business.

How does technology empower finance professionals?

In our research, finance professionals shared that technology has not only created the opportunity for their organisations to generate sustainable value but also empowers them as individuals to drive value creation.

How empowered do you feel by technology within your organisation? Are you fully embracing technology and the opportunities it brings?

Depending on your role and the nature of your organisation, technological empowerment can help you manipulate data successfully, influence decision-making, lead diverse teams, manage multiple customer accounts, and meet or exceed productivity targets.

Empowerment allows finance professionals and leaders to:

Lead the digital strategy

Long gone are the days when the finance function was solely responsible for managing costs and improving productivity. With technology becoming a driving force of change, finance

professionals' roles are expanding to facilitate digital strategies and help foster a digital culture within the business. According to the World Economic Forum, "Organizations with a strong digital culture use digital tools and data-powered insights to drive decisions and customer-centricity while innovating and collaborating across the organization."

Does your organisation have a transformative culture that starts with an organisational vision that is supported by digital strategies? Finance should be in a position to drive this transformation. Because of its deep understanding of the business, finance can ensure that a digital roadmap represents what the organisation needs to achieve and how it will be achieved.

Technology also creates the environment for the finance function to take a leading role in data strategy to achieve maximum value across the organisation.

Our research has shown that finance lags behind the rest of the organisation in new technology adoption because investment in customer-facing

technologies is often prioritised. Therefore, finance must ensure it has a long-term strategy for technology adoption and integration within finance operations. To do this, finance teams must ask themselves how they can stay adaptable to evolving technologies and industry trends.

Questions to ask when planning to implement new technologies:

- Are the current systems and tools compatible with emerging technologies?
- What is the return on investment of implementing technology in terms of time, cost, and value added?
- How will new technologies affect client relationships and communication?
- Is the organisation prepared to invest in training to upskill the finance team?
- How will data security and privacy be ensured when integrating new technology?

Collaborate cross-functionally

Our research revealed that the finance profession is expanding in breadth and depth to affect areas like technology, sustainability, and leadership. Finance professionals are now more than ever viewed as savvy analysts, communicators, decision-makers, and business partners who are growing and improving organisations internally to influence business models and decision-making.

Finance professionals must branch out beyond their functional space to connect and build trust with other business functions, including IT, HR, operations, procurement, and commercial teams to drive changes. It's vital that finance has an understanding of the work of these areas in order to collectively identify challenges, find solutions, and explore new opportunities.

Questions to consider to improve cross-functional collaboration include:

- How can finance's expertise contribute to the success of other departments and vice versa?
- Are there potential barriers such as terminology which need to be addressed?
- What tools or platforms can facilitate seamless communication and information sharing?
- How will the impact of cross-functional collaboration on overall organisational performance be measured?

Streamline processes

Increasingly, robotic process automation (RPA) technologies are being employed by finance functions to streamline processes and are programmed to create efficiency and increase productivity throughout organisations. Finance should be empowered through technology to not only take the lead to create an infrastructure environment with a single point of entry but also identify opportunities for automation and be the design architects to lead the scoping requirements.

The finance professional must ensure technology and automated processes have adequate control measures in place to mitigate risks, support data quality and governance, and meet regulatory requirements, while applying critical judgements along the way. Automation can enhance efficiency and productivity, but it cannot replace the unique qualities and abilities that humans bring to the field, such as creativity, adaptability, emotional intelligence, and ethical judgement. A successful finance team often combines the strengths of automation with the invaluable contributions of human finance professionals.

Questions to consider when implementing technology for automation include:

- What potential risks or errors could arise from relying on automation and how can these be mitigated?
- What are the cost-saving opportunities associated with automation versus the initial investment?
- How can it be ensured that the automation technology integrates seamlessly with existing systems, and what level of customisation or configuration is necessary?
- How will potential resistance to change from team members be addressed?

Extract insights

Ronald Reagan, former US president, once said, "Information is the oxygen of the modern age." It is well known that the ability to quickly dissect and analyse information, translating data into actionable insights to drive decisions, is invaluable and, in turn, positions organisations to generate sustainable growth and profitability.

Finance professionals should be embracing technology to interpret data more accurately, enable real-time visibility of information, do smarter reporting, and communicate effectively to both internal

and external stakeholders to enable swifter and more impactful decision-making. Technology and tools' usage must be continuously refined to extract more meaningful insights over time.

Finance professionals should be leveraging analytics techniques such as data mining, machine learning, and predictive modelling to uncover trends, patterns, and predictive insights from data.

Questions to ask your finance team include:

- What data-driven insights could technology provide that are currently lacking?
- Are there opportunities for automation in data collection, cleansing, or analysis?
- What are the skills gaps within the team that need to be addressed to effectively use a technology and manage the potential high volume of data after a technology is implemented?
- Are there ethical or compliance considerations to address when using technology for insights?

Our Future of Finance 2.0 research corroborated that technology is the universal language to help organisations generate enterprise value, drive innovation, and maintain sustainable growth. Digital transformation has shifted from being a competitive advantage to a necessity to drive value. The accounting and finance profession is transforming, and technology is paving the way forward. ■

Read AICPA & CIMA's paper [The Digital Journey of Finance](#) [login required] and visit the [Future of Finance 2.0](#) research project for additional reports.

Nancy Marc-Thrasybule, CPA, CGMA, is an associate technical director—Management Accounting and Jocelyn Turner, ACMA, CGMA, is a former associate technical director—Management Accounting at AICPA & CIMA, together as the Association of International Certified Professional Accountants. To comment on this article or to suggest an idea for another article, contact Oliver Rowe at Oliver.Rowe@aicpa-cima.com.

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ChatGPT: Use cases and limits to its reliability

AI chatbot ChatGPT can be a useful tool, and by understanding how it works — and its flaws and limits — you can develop a reputation with AI that will enhance your career.

By Liam Bastick, FCMA, CGMA

IMAGE BY BORIS SV/GETTY IMAGES

Amongst other things, 2023 will be remembered as the year of chatbot AI, particularly ChatGPT. Though many of us are aware of ChatGPT, it's probably safe to say most of us don't understand how it works and aren't using it to its full potential. Let's try to bring you up to speed. I will consider both of these points and discuss what it means for you, your work, and possibly, your career.

How does it work?

ChatGPT, which stands for Chat Generative Pre-Trained Transformer, is what is referred to as a large language model (LLM). LLMs are a type of neural network, a form of artificial intelligence (AI). Neural networks were created to imitate the human skill of estimating solutions to complex problems and making informed yet subjective evaluations, not only of numerical data but also text and visualisations.

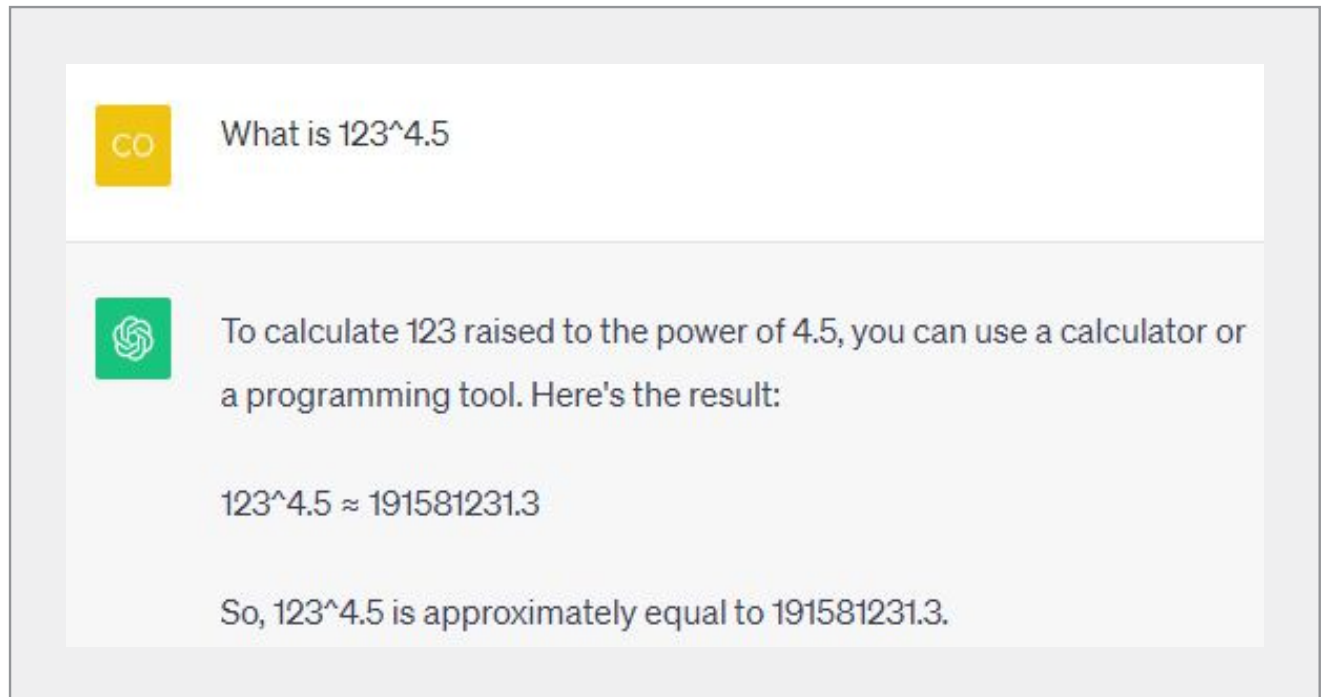
ChatGPT is an incredibly powerful tool that combines the computational ability of a computer with a nuanced, human-like understanding of explicit terms and patterns. ChatGPT always gives its best estimation of any given solution. It isn't calculating or thinking things through from first principles like a human does; there is no understanding of the how or why, just a complex algorithm spitting out a solution. Naturally, this leads to some glaring issues that require human oversight and many tasks in which user input may make a significant difference.

Limits to its reliability and capability

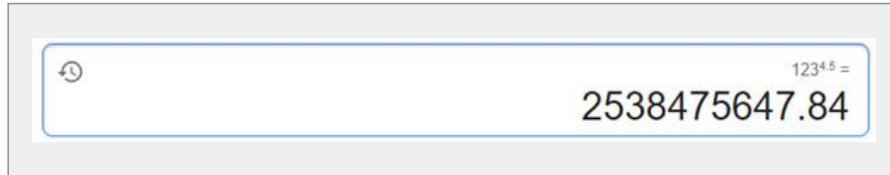
The first of these glaring issues surrounds ChatGPT's reliability. Due to ChatGPT's approach to estimating, it may struggle with questions that are complex or in areas that require more specialised knowledge, such as science and law. Even worse, it has been known to just make things up or "hallucinate", such as when a lawyer from Levidow, Levidow & Oberman was fined in June 2023 for submitting fake citations after using ChatGPT to help research past court cases for an aviation injury claim.

Mathematics can also present issues. People often wrongly assume that ChatGPT should be good at maths because it is a computer. That is like expecting English professors to be good at physics because they are at a university. ChatGPT is built to process language. When you ask ChatGPT a mathematics problem, it does not calculate it from first principles as we do; instead, it calculates it based on other examples it has seen in relevant training data. Whilst that is great for simple mathematical problems such as addition and multiplication, it will struggle with more complicated questions involving exponentials or trigonometry. With these sorts of questions, the answers are sometimes not even close (see the example of a material error in the screenshot "ChatGPT Material Error Example").

ChatGPT material error example



Whereas the correct answer is:



This means that a guiding human hand is always necessary to check that it will give you the answer you want and provide it with the correct direction. This is where you as a finance professional come in: Your ability to be that expert guiding hand in the use of these tools to their full potential will set you apart.

Prompt engineering

Before I provide a specific example, please allow me to cover a few simple “prompt engineering” concepts. Prompt engineering is the art of creating good prompts (directions or questions) that will allow ChatGPT to generate the most useful, accurate, and directed answers. It does not matter whether ChatGPT can generate a good answer if you have not asked the right question.

A tip here is to provide relevant detail and context. The more information you give ChatGPT, the more reliable and accurate its response. ChatGPT cannot read context well: It cannot “read between the lines”; you need to tell it exactly *what* you want and *how* you want it.

The next key concept is known as the “chain of thought prompting”, which involves getting ChatGPT to break problems down into multiple steps. This serves three purposes:

1. ChatGPT is more reliable at solving many small problems rather than trying to solve one big problem in one go.
2. This forces ChatGPT into somewhat human-like problem-solving, as it is forced to break down its processes into fundamental steps to solve them.
3. This simplifies the “auditing” process, as it is easier to find where it went wrong and adjust based on that.

You should not be afraid to have multiple attempts at prompting ChatGPT. There is a level of inbuilt variability within ChatGPT called “temperature” which forces it to provide different outputs every time. If you are not satisfied with an answer, just ask it again. Furthermore, if it has the right idea, you can get it to build upon or elaborate on its previous answers to give it greater direction regarding what you seek. Try using its previous answers to adjust your prompt and ask it a modified question instead.

You should give examples of how you want your answer output whenever possible. This is called “multiple-shot prompting”. It gives ChatGPT a clearer idea of what you seek in an answer instead of generating something from scratch (called “zero-shot prompting”). This is especially useful for any sort of report or content generation that requires consistent style, language, or formatting.

Furthermore, I recommend using role-play. Have ChatGPT assume a role in its output, such as a marketer, a data scientist, or a professor (say). This gives it more context by which to frame its answer to be more specific and tailored. Alternatively, give it an audience: Ask it to explain something at a high school or professional level.

How to use it

Before I get into some practical examples, let me explain how to set up ChatGPT. You must visit the website chat.openai.com (no “www”) and set up an account. Once you are set up and logged in you will see the bar at the top with GPT-3.5 and GPT-4 — this gives you the option to switch between models *if* you have the paid version. We think the paid version is useful. GPT-3.5 is what is known as unimodal, which means the chatbot understands and interprets text input only. In addition to being more advanced and tending to provide better responses to more nuanced questioning (a subjective analysis, I know), the GPT-4 engine is multimodal. This means the chatbot can understand/process images too, accepting text and image/visual prompts. You should still check answers for their accuracy and veracity, though, just as you should with the free version.

The sidebar contains your chat history so you can go back and check or resume an old chat. Clicking on your email in the bottom left brings up various settings related to privacy, your account, and your interactions. Finally, at the bottom is the dialog where you may interact with the model. To interact with ChatGPT, type “prompts” in the box and either click on the arrow or press **ENTER** to submit your prompt. ChatGPT will reply, and from there, you can have your conversation. It’s that simple.

Use cases

I’d like to finish by going over some interesting use cases for ChatGPT — more than just your usual tasks of writing emails, trying to emulate VBA code, or asking for advice. I’d like to preface this by acknowledging that the premium version of ChatGPT has far more flexibility, functionality, and utility than the free version. It is a better model and has access to a range of useful plug-ins such as search, data analysis, and image generation. However, for now, I shall focus on the free version as that is the most accessible and arguably the one to review before paying for a more advanced alternative.

For accountants or others working in finance, one key use case is simply getting help with Excel, such as how to interpret formulas, choose functions, highlight key cells, create solutions, and so on. This can be as simple as explaining how a feature works, such as conditional formatting or providing keyboard shortcuts (see the screenshot “Simple Use Case”).

Simple use case

How do you use conditional formatting?

Conditional formatting is a feature in spreadsheet software like Microsoft Excel, Google Sheets, and others that allows you to apply formatting rules to cells or ranges of cells based on specific conditions or criteria. This can help you visually highlight data that meets certain criteria or conditions. Here's a general overview of how to use conditional formatting:

1. **Select the Range:** Start by selecting the cells or range of cells that you want to apply conditional formatting to. You can select a single cell, a column, a row, or a larger range, depending on your needs.
2. **Access Conditional Formatting:** The exact steps to access conditional formatting may vary depending on the spreadsheet software you are using. Here are some common ways to access it:
 - In Microsoft Excel: Go to the "Home" tab, and you'll find the "Conditional Formatting" option in the "Styles" group.
 - In Google Sheets: Go to the "Format" menu, and you'll find "Conditional formatting" as an option.

However, you may also use it to find functions to solve more complex problems or even use it to develop creative solutions. For example, imagine that I have a sentence with a date somewhere in it, and I wish to extract just the date. This is a tricky question for many Excel users, so let's simply ask ChatGPT (see the screenshot "More Complex Use Case").

More complex use case

I have an Excel file with a sentence starting in B4. It contains a date in the style dd/mm/yyyy. Write me a formula that will output just the date in the column next to it.

Assuming you have a sentence in cell B4 that contains a date in the format "dd/mm/yyyy," and you want to extract just the date and place it in the column next to it (for example, in cell C4), you can use the following formula in cell C4:

```
excel Copy code  
=DATEVALUE(MID(B4, FIND("/", B4)-2, 10))
```

Here's a breakdown of how this formula works:

1. `FIND("/", B4)` finds the position of the first forward slash ("/) in the text in cell B4. This helps us locate the start of the date in the sentence.
2. `MID(B4, FIND("/", B4)-2, 10)` extracts a substring from cell B4. It starts from two characters before the first forward slash and takes 10 characters. This should capture the "dd/mm/yyyy" format.
3. `DATEVALUE(...)` converts the extracted text into a date value. Excel will recognize the "dd/mm/yyyy" format as a date.

Not only does it give us a solution that works (you're welcome to test it yourself), but it also explains to us in a simple way how it works. Bear in mind that it came up with this on the second attempt.

Another useful ChatGPT feature is the ability to easily copy and paste Excel cells into it. Whilst you cannot paste thousands of rows

of data into ChatGPT, you can paste a sample and ask ChatGPT for advice on how to deal with it. As an illustration, here I use some antiquated Melbourne house price data — in the screenshot “Example Dataset”.

Example dataset

	A	B	C	D	E	F	G	H
1	Rooms	Type	Price	Date	Distance	Bedroom	Landsize	CouncilArea
2	2 h		1480000	3/12/2016	2.5	2	202	Yarra City Council
3	2 h		1035000	4/02/2016	2.5	2	156	Yarra City Council
4	3 h		1465000	4/03/2017	2.5	3	134	Yarra City Council
5	3 h		850000	4/03/2017	2.5	3	94	Yarra City Council
6	4 h		1600000	4/06/2016	2.5	3	120	Yarra City Council
7	2 h		941000	7/05/2016	2.5	2	181	Yarra City Council
8	3 h		1876000	7/05/2016	2.5	4	245	Yarra City Council
9	2 h		1636000	8/10/2016	2.5	2	256	Yarra City Council
10	1 u		300000	8/10/2016	2.5	1	0	Yarra City Council

This dataset is 20,000 rows long, but here, I shall just copy and paste the top ten into ChatGPT and ask it for some ideas with the prompt shown in the screenshot “Copying and Pasting Excel Rows Into ChatGPT”.

Copying and pasting Excel rows into ChatGPT

I have Melbourne house price data in Excel starting in A1 in the form of: (paste sample rows here). Give me 10 insights I could pull from the data and the formulas I would use.

You can derive several insights from your Melbourne house price data in Excel. Here are ten insights you can extract along with the formulas you can use to calculate them:

- 1. Average House Price:**
 - Formula: `=AVERAGE(C2:Cn)`
 - This will give you the average price of houses in Melbourne.
- 2. Median House Price:**
 - Formula: `=MEDIAN(C2:Cn)`
 - This will provide the median price, which can be more robust to outliers.
- 3. Maximum and Minimum House Prices:**
 - Maximum Formula: `=MAX(C2:Cn)`
 - Minimum Formula: `=MIN(C2:Cn)`
 - These will give you the highest and lowest house prices, respectively.
- 4. Price per Room:**
 - Formula: `=C2/A2`
 - This will calculate the price per room for each house.
- 5. Average Price by Bedroom Count:**
 - Formula: `=AVERAGEIFS(C2:Cn, F2:Fn, X)`
 - Replace X with the number of bedrooms you want to analyze. Repeat this for different bedroom counts to see how prices vary.
- 6. Average Price by Property Type:**
 - Formula: `=AVERAGEIFS(C2:Cn, B2:Bn, "h")`
 - This calculates the average price for houses ("h") in your dataset.

It acts as an assistant analyst, giving you actionable suggestions and explaining the formula to apply them. Obviously, these suggestions are fairly simple, but we could just as easily ask it for more complicated suggestions.

For my final example, I want to show you something a little different (as a word of warning). Let's get more technical and attempt to build a discounted cash flow (DCF) model in ChatGPT (see the screenshot “Discounted Cash Flow Model in ChatGPT”).

Discounted cash flow model in ChatGPT

Create a discounted cash flow model for my company. Assume the WACC is 9%. Last year's FCF was \$1m. After that, it will grow by 5% a year for 5 years. The terminal growth rate is 1%.

Step 1: Calculate Free Cash Flows (FCF) for each year:

- Year 1 FCF = \$1 million
- Year 2 FCF = Year 1 FCF * (1 + Growth Rate) = \$1 million * (1 + 0.05) = \$1.05 million
- Year 3 FCF = Year 2 FCF * (1 + Growth Rate) = \$1.05 million * (1 + 0.05) = \$1.1025 million
- Year 4 FCF = Year 3 FCF * (1 + Growth Rate) = \$1.1025 million * (1 + 0.05) = \$1.157625 million
- Year 5 FCF = Year 4 FCF * (1 + Growth Rate) = \$1.157625 million * (1 + 0.05) = \$1.21550625 million

Step 2: Determine the Terminal Value (TV) at the end of Year 5 using the Gordon Growth Model:

$$TV = \text{Year 5 FCF} * (1 + \text{Terminal Growth Rate}) / (\text{WACC} - \text{Terminal Growth Rate})$$

$$TV = \$1.21550625 \text{ million} * (1 + 0.01) / (0.09 - 0.01)$$

$$TV = \$13.506 \text{ million}$$

Step 3: Discount the FCF and Terminal Value to present value using the WACC:

- Year 1 PV = \$1 million / (1 + 0.09)¹ = \$0.9174 million (rounded to 4 decimal places)
- Year 2 PV = \$1.05 million / (1 + 0.09)² = \$0.8420 million (rounded to 4 decimal places)
- Year 3 PV = \$1.1025 million / (1 + 0.09)³ = \$0.7750 million (rounded to 4 decimal places)
- Year 4 PV = \$1.157625 million / (1 + 0.09)⁴ = \$0.7151 million (rounded to 4 decimal places)
- Year 5 PV = \$1.21550625 million / (1 + 0.09)⁵ = \$0.6605 million (rounded to 4 decimal places)
- Terminal Value PV = \$13.506 million / (1 + 0.09)⁵ = \$10.1094 million (rounded to 4 decimal places)

If you perform these calculations yourself, you will note that there are some immediate issues:

- ChatGPT is starting with \$1 million in year 1, which I clearly stated was *last* year.
- The terminal value calculation is wrong. The formula is correct, but it miscalculated the value.
- After year 1, all of the discounted values are incorrect.

This example illustrates a core ChatGPT issue. This was not a complicated question: The computations were simple, yet it still could not get it correct. Imagine if this DCF was multistage or if we needed it to build more fleshed-out financial statements? If you were building a DCF model and needed assistance on how to do a segment, it could give you useful feedback, but asking it to do these things itself is perhaps a step too far for the time being. This is where it is important to distinguish between what ChatGPT can do and where you as a user need to step in.

Word to the wise

ChatGPT has flaws requiring human intervention and oversight. However, it is a fantastic tool when used effectively. As the world becomes more familiar with AI, your ability to use these tools and be that guiding hand will be a key skill in whatever technical role you might be in.

If you ensure you are using it to its full capabilities and understand its limitations, you can add value as a user, perform your work more efficiently and effectively, and develop a positive reputation in AI — which can only enhance your career prospects. ■

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How to align performance management with a business's purpose

A recently released framework can guide companies to maximise their workforce's potential and achieve strategic goals.

By Nancy Marc-Thrasybule, CPA, CGMA

Businesses today face many challenges, including increasing expectations from a broad range of stakeholders to incorporate sustainability and ESG factors into their strategies.

In response to the emerging pressures, AICPA & CIMA and the World Business Council for Sustainable Development (WBCSD) together have embarked on a journey to explore how performance management must evolve to respond to present-day business challenges.

In 2021, we published [our findings](#) from talking to senior leaders about these challenges. Previous research, including by Kaplan and Norton, indicates that around 70% of companies fail to realise the full potential of their strategies; 85% of executive teams spend less than an hour per month discussing strategy; an average of 95% of employees don't understand their businesses' strategies; and 60% of businesses don't link budgets to strategies. Our 2021 report confirmed that performance management is constrained in businesses across the world by the disconnect between strategy, operations, performance, incentives, and people.

Fast forward to 2023's changing business landscape, AICPA & CIMA and the WBCSD have developed a performance management system that builds on proven management accounting methods and will enable businesses to address these challenges. Our recent paper, [Integrated Performance Management — Driving Strategy, Engaging Workforces](#), describes this new performance management system. It has been tested and refined in

interviews with executives from 25 major companies, in seven roundtable discussions with more than 50 participants, and with significant input from a steering group of WBCSD member companies.

The often-stated adage that human capital is the most valuable asset in businesses has withstood the test of time. Underscoring the importance of engaging employees with strategy, one of the members of the roundtable discussion held with the AICPA & CIMA Future of Finance Leadership Advisory Group commented that "strategy should not just be about the metrics". The Integrated Performance Management (IPM) framework provides guidance that companies can use to release the full potential of their workforce and achieve their strategic goals, including sustainability and ESG objectives.

This article highlights the "what" of the IPM framework and how it helps business leaders rethink performance management.

What is the IPM framework?

The IPM framework focuses on strategy execution and refinement. It is based on multi-capital, multi-stakeholder, and long-term value creation principles. It provides a roadmap for implementing a performance management system aligned with a business's purpose and values, and places human capital, the workforce, at its centre.

The framework helps businesses move beyond traditional ways of managing performance to embrace a holistic, cohesive approach that influences

mindsets. It involves moving:

- From a financial perspective to a multi-capital perspective;
- From a functional resource allocation model to a strategic resource allocation approach; and
- From a passive workforce to an engaged and empowered workforce that drives strategy execution.

The overarching concepts of the framework (see the graphic "Integrated Performance Management Framework") are founded on a clear and defined organisational purpose, a robust strategy, and effective corporate governance. Its four components consist of leadership, processes, resource management, and performance culture. They enable businesses to better engage workforces and to execute their strategies through productive, strategically focused operations. The framework helps drive performance by engaging and empowering employees and building trust.

IPM maturity model

The IPM framework is supported by an [IPM maturity model](#) to assist businesses with transitioning from traditional performance management to an integrated performance management approach. A key component of the IPM maturity model is consideration of a shift in leadership authority and ownership of strategic objectives. This shift is summarised as follows:

- In "traditional" organisations, the primary focus of leadership is on operational excellence; the

Case example: Eco-Friendly Brands

Let's consider a retail company, Eco-Friendly Brands, that aims to become a leader in sustainable and eco-friendly products while expanding its market share. One of the company's key strategic objectives is to "enhance brand reputation as a sustainable retailer". Eco-Friendly has designated a strategic executive officer who will own this strategy.

One of the significant initiatives that "maps" to this overarching strategy includes launching a new line of eco-friendly products. Another initiative

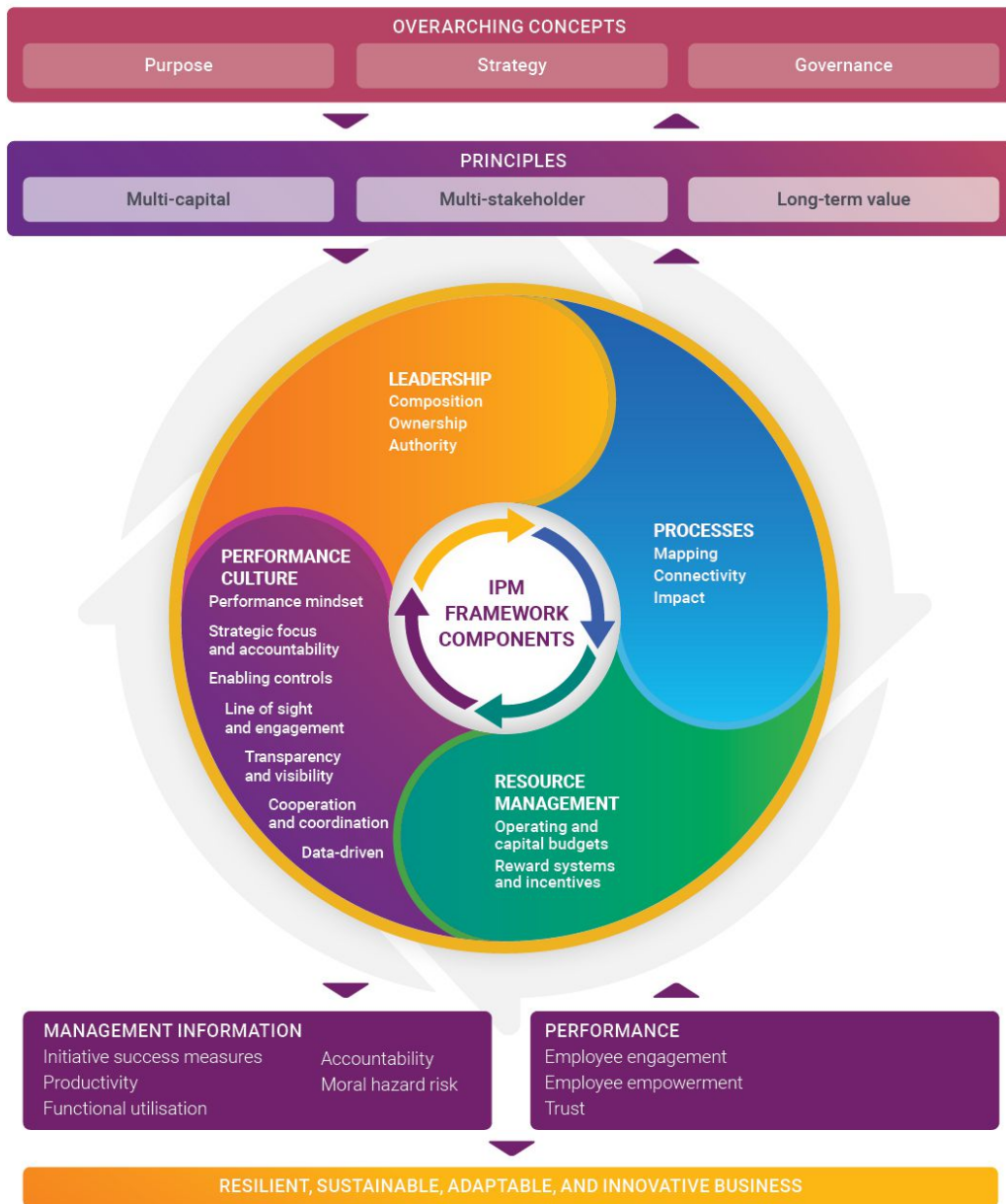
that aligns with this strategy is an awareness campaign to highlight the company's commitment to sustainability.

Connecting these initiatives with each other ensures that efforts are coordinated and overall effectiveness is maximised. Cross-functional collaboration, resource sharing, and optimised processes become possible through these interrelationships.

Once initiatives are mapped to their related strategies and are interconnected, it is possible to assess

their relative impact. This involves evaluating the potential outcomes, benefits, costs, effectiveness, and productivity of connected initiatives. For Eco-Friendly, with authority vested with a strategic executive officer rather than the respective functional heads, this assessment will enable the company to set priorities and make informed choices about the timing and resources to invest into the awareness campaign versus new product development, and to adjust those priorities on an ongoing basis.

Integrated Performance Management framework



executive leadership team owns strategic objectives; functional expertise is valued over strategic expertise; and authority resides with functional executives.

- In an “evolving” organisation, strategic objectives are owned by functional executives with both functional and specific strategic responsibility (“dual citizenship”).
- An “advanced” organisation continues to have functional executives owning strategic objectives, who receive input from strategic programme owners. Overall authority continues to reside with functional leadership.
- In a fully “integrated” organisation, this relationship is flipped. Strategic objectives are owned by strategic

executive officers (SEOs), and strategic objectives are built out with functional expertise being provided on a “supply and demand” basis. We characterise this as a strong matrix, where strategic authority, responsibility, and accountability rest with SEOs.

Indeed, an executive participating in the WBCSD Steering Group that supported the development of the IPM framework highlighted the importance of aligning authority and strategy: “To get something done, you need power — that means resources, people, and the right momentum. If you’ve got a net-zero carbon strategy and there’s no power, no authority, nor the right ownership of that strategy, then what’s the point? This

is an important way to detect whether you actually mean business.”

How to put the IPM framework into practice

Implementing the IPM framework involves a simple three-step process (see the chart “Three-Step Implementation”). This process involves identifying key initiatives *in the form of activities, projects, or processes* that contribute to strategic success, identifying the connectivity between all initiatives that are related to specific strategies, and assessing the relative impact of those initiatives on the achievement of the strategies.

These foundational concepts are key to engaging employees with discussions on strategy, more effective resource allocation, and improved accountability — essential for managing performance.

The three-step implementation is a process because it is ongoing and supports the workforce’s continual evaluation of the impact and productivity of the business’s initiatives by engaging employees in ongoing, strategically focused conversations. For an example of how this works in practice, see the sidebar “Case Example: Eco-Friendly Brands”.

What’s next?

The IPM framework provides guidance on how to position your organisation for strategic success. By focusing on people and strategy, the framework will improve performance while integrating sustainability factors into management information and decision-making. It will also help articulate business and operating models that integrate sustainability factors for investors, regulators, and other stakeholders.

Using the IPM maturity model, the first step in implementing an IPM approach is to diagnose your organisation’s approach to performance management and conduct a gap analysis against the approach set out in the framework. Key elements of this gap analysis include leadership authority and ownership, the resourcing and connectivity of strategic initiatives, and the extent to which your culture supports this focus on strategy.

The IPM maturity model can then be used as guidance to identify and prioritise the steps needed to transition your organisation further down the path of an IPM approach — and reap the benefits.

Read [Integrated Performance Management — Driving Strategy, Engaging Workforces](#) for a comprehensive insight into the IPM framework. ■

Three-step implementation



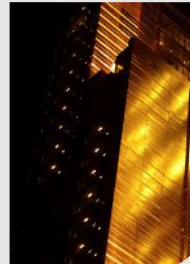
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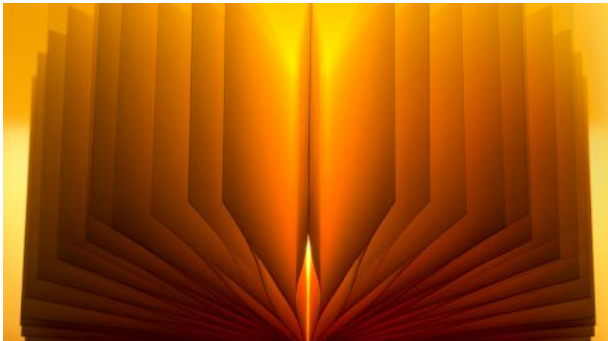
[“Performance Management GMAP Mini Tool”](#), AICPA & CIMA, 8 August 2023

Podcast

[“Integrated Performance Management: A Framework to Inspire Success”](#), *FM* magazine, 26 October 2023

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AICPA & CIMA global academic research programme short list

Proposals from AICPA & CIMA's most recent Experienced Researchers Call have been short-listed, and projects that are successful are expected to start in the first half of 2024.

The short list is:

- "Co-creation with Artificial Intelligence: An Experimental Investigation on ChatGPT", Tulane University, US.
- "Socio-cognitive Drivers of the Intended Use of Digital Technologies by Finance Managers in Industry", University of Galway, Ireland.
- "Integrating Environmental Sustainability into Management Accounting: A Collaboration with DP World", University of Southampton, UK.

Similarly, the following proposals from the most recent Early Career Researchers Call have been shortlisted:

- "Algorithm Aversion in Investment Decisions", Ruhr-Universität Bochum, Germany.
- "Bridging the Gap: The Role of Management Accountants in Cybersecurity Risk Management", University of Newcastle, Australia.
- "Revealing Synergies: Unpacking the Relationships Between Integrating Environmental and Social Considerations into Enterprise Risk Management for Strategic Decision-Making", University of Siena, Italy.
- "Management Accounting Processes, Integrated Thinking, and Sustainable Development Goals", Australian Catholic University, Australia.

AICPA & CIMA will launch regional calls for research proposals during 2024. More information about the [global academic research funding programme](#) is available on the [AICPA & CIMA website](#).

AICPA & CIMA apprenticeship programme receives state award

During November's US National Apprenticeship Week, AICPA & CIMA's [Registered Professional Apprenticeship for Finance Business Partners](#) was recognised in the business category of the Maryland Department of Labor's Third Annual Apprenticeship Awards. The US National Apprenticeship Week showcases the successes and value of registered apprenticeships for re-building the economy, advancing racial and gender equity, and supporting underserved communities.

In addition, AICPA & CIMA have launched a youth apprenticeship in Maryland high schools, in partnership with the Maryland Association of CPAs, to introduce students earlier to the advantages of a career in accounting and finance.

Also in November, AICPA & CIMA hosted events with Oklahoma State University, in Oklahoma City and Tulsa, with industry partners, academic institutions, and employers to discuss how apprenticeships can address the growing need for accounting professionals in Oklahoma and across the US.

The Registered Professional Apprenticeship for Finance Business Partners is the first US programme of its type for accounting and finance. It is dedicated to establishing a pipeline of highly engaged candidates, allowing employers to monitor and develop more skilled, diverse, and long-term employees. The programme is built on the [CGMA Finance Leadership Program](#), which leads to the award of the CGMA designation.

More than 100 apprentices across 17 employers and 15 industries have been registered in the inaugural year of AICPA & CIMA's Registered Professional Apprenticeship for Finance Business Partners programme.



North Carolina State University and AICPA & CIMA risk report



The latest report in an annual global series by AICPA & CIMA and North Carolina State University's Enterprise Risk Management (ERM) Initiative identified immature ERM processes and a lack of understanding by executives and boards of the strategic value of effective risk oversight. At the same time, the research showed a significant increase in the level and complexity of risks organisations are facing.

The report, *2023 Global State of Enterprise Risk Oversight*, found that 68% of respondents believe the volume and complexities of risk are increasing. However, only 31% describe their organisation's risk oversight practices as "mature" or "robust". Additionally, 18% of those surveyed indicate that

executives do not see the benefits of ERM exceeding the costs, or they believe there are too many other pressing needs.

Findings from the report include the following:

- The lack of embracing the importance of risk oversight in organisations may be attributed to only 20% of organisations having embedded risk-management incentives in their compensation plans.
- The volume and complexity of risks is increasing across the four geographic regions: Europe and UK (66% of respondents agreed), Asia and Australasia (81%), Africa and Middle East (78%), and US (65%).
- In all regions surveyed, respondents who claimed their organisations had "mature" or "robust" risk oversight are in the minority: Europe and UK (38%), Asia and Australasia (19%), Africa and Middle East (29%), and US (29%).
- Only 44% of organisations describe their ERM processes as "mostly" and "extensively" systematic, robust, and repeatable with regular reporting of top risk exposures to the board. Percentages for the regional areas are: Europe and UK (51%), Asia and Australasia (46%), Africa and Middle East (43%), and US (37%).
- Most executives do not believe their organisation's risk-management processes provide "unique competitive advantage". Only 16% globally believe their processes "mostly" to "extensively" provide such advantage, with the following regional percentages: Europe and UK (15%), Asia and Australasia (23%), Africa and Middle East (40%), and US (11%).

For further analysis of the report findings, see the December 2023 *FM* article, "Why Risk-Management Failures Are Not Limited to Banking".

AI-guided career tool for students showcases CGMA and CPA members

AICPA & CIMA have developed Career Launchpad, a tool that allows AICPA & CIMA students to access real-world career stories, expert advice, and behind-the-scenes information from accounting professionals on topics including salaries, CV preparation, personal branding, career choices in the accounting industry, and interview skills.

Led by AI-powered avatar Andi, students are asked to complete six modules that take them through an accounting and finance career learning journey. In the final module, students can participate in simulated interviews. Students receive feedback, also driven by AI, to refine performance and boost confidence.

Mike Decker, vice-president of CPA examination and pipeline at AICPA & CIMA, together as the Association of International Certified Professional Accountants, said:

"Through Career Launchpad, we're proud to feature CPAs and Chartered Global Management Accountants [CGMA designation-holders] who are passionate [about] their roles in the business and accounting world."

He added: "They really showcase the innovative areas of their jobs, enabled by their credentials and their experience."

"The AI-driven mock interview in Module 6 is truly a game changer, allowing future accounting and finance professionals to practise their interview skills and fine-tune them by receiving instant, intelligent feedback."



Reading revenue

The book publishing industry has seen waves of disruption throughout its long history — from an early printed and dated book of Buddhist text in 868 to Johannes Gutenberg's movable type printing-press invention of the 1440s to today's rise of AI tools and Instagram and TikTok marketing.

It's a growing market. In the UK, book publishing revenues increased by 4% in 2022 to £6.9 billion, with printed books revenue up 3% to £3.8 billion and digital sales

increasing by 5% to £3.1 billion, according to the Publishers Association. Export revenue saw an 8% increase to £4.1 billion.

Internationally, physical book sales revenues for 2023 to August increased in France (+1.3%) and the UK (+1.8%), with larger increases in India (+8.7%) and Mexico (+10%). Revenues were down only in four countries, including Australia (-1.9%) and South Africa (-0.2%), according to data from GfK Entertainment and Nielsen BookData.

People read at the Shanghai Book Mall in Shanghai, China, on 12 November 2023. The bookstore reopened in October after a two-year renovation.

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