Controller/CFO Update: Hot Topics Facing Today's Financial Professional

TCF4/26/V1

SURGENT
ACCOUNTING & FINANCIAL EDUCATION

This Product Is Intended to Serve Solely as an Aid in Continuing Professional Education

- Due to the constantly changing nature of the subject of the materials, this product is not appropriate to serve as the sole resource for any tax and accounting opinion or return position, and must be supplemented for such purposes with other current authoritative materials
- The information in this course has been carefully compiled from sources believed to be reliable, but its accuracy is not guaranteed
- In addition, Surgent McCoy CPE, LLC, its authors, and instructors are not engaged in rendering legal, accounting, or other professional services and will not be held liable for any actions or suits based on this manual or comments made during any presentation
- If legal advice or other expert assistance is required, seek the services of a competent professional

Course Outline

1. Introduction
2. How To Achieve Success
3. Understanding Why Organizations Are Successful
4. Having the Best People
5. Trends in Employee Motivation
6. Economic Update

A Quick Word on Policy vs. Politics

- Many times when discussing accounting, tax and finance policy issues, it can be difficult to divorce the politics from the policy
- Today, when discussing the various issues we will encounter over the next several hours, let’s agree to keep our own view of politics out of the application of the policy and focus on doing the very best we can for all our clients
- This goes for religious/faith views as well

Chapter 1

Introduction

SURGENT
ACCOUNTING & FINANCIAL EDUCATION

Introduction

- Goals of the program
  - Make you more valuable
  - Make your organization more valuable

Prepare To Be Frustrated

- This seminar is for decision makers
- You will learn and discuss the right way to do things
  - In some situations, you do not have the power to make change
    - That is frustrating

We Won’t Cover All

- Far more material included in the materials than we can ever cover in a 4-hr. program
- Great reference materials to take home
- Speak up if you want to delve more deeply into any one area
  - Otherwise, we will go through with flexibility according to discussion

It’s All About Change

- Is your organization changing as fast as the world around it?
  - If not, it will fail or be bought out by another who is changing
- Changes in
  - Economy
  - Organizations
  - Society
  - Employees

According to Business Insider

- Finance professionals **MUST**
  - Become analytical wizards
  - Manage increasing risks
  - Adapt to new technology
  - Be better at leading people
  - Guide decisions in a politically charged atmosphere
  - Manage big data
  - Make effective decisions from data from outside the organization
  - Understand business drivers from outside the organization
  - Make better hiring decisions

SURGENT
ACCOUNTING & FINANCIAL EDUCATION

Chapter 2

How To Achieve Success

Learning Objectives

- Upon completing this chapter, the reader will be able to:
  - Understand what is needed for an organization’s success;
  - Know who the customers are and who they are not;
  - See a quick way to improve customer service; and
  - Understand what has happened to customer service with the pandemic

What Is Success?

- Profits?
- Market share?
- Achieving vision
- Serving the public?

Discussion Questions

- For your organization how would you define success?
- How will you measure if you have achieved it, or are moving toward it?
- **This is possibly the most important thing you will do to becoming a more successful organization**

Two Things Needed for Success

Only Two Things Needed for Success

Serve the Customer Better

and

Do It Efficiently

SURGENT
ACCOUNTING & FINANCIAL EDUCATION

What About Monopolies?

- Do they have to serve customers well?
  - Do they?
  - What if they don't?
- Do they have to be efficient?
  - Are they?
  - What if they are not?
- What about the government?

Who Are the Customers?

- External:
  - The ones served by the organization
- Internal:
  - The ones served by the department

SURGENT
ACCOUNTING & FINANCIAL EDUCATION

Who Are Not the Customers?

- Stakeholders:
  - Owners
  - Regulators
  - Auditors
  - Suppliers
- They are important, but not the customers

SURGENT ACCOUNTING & FINANCIAL EDUCATION

Exercise

- Think about some of the worst customer experiences you have had
- What do you think was the cause?

Customer Service Is More About Systems Than People

- Waiting on hold
- Waiting in line
- Not receiving what you want
- Filling out more forms (often obviously needless)

A "Must" Question for Each Customer

- How do customers determine value?
  - Determine for each one on your customer list

Customer Service Improvement

- Make a list of all contacts between customer and department
- For each contact, talk about how you could deliver service – what would it look like?
  - Wow
  - Average
  - Poor
- Devise a plan of improvement

SURGENT ACCOUNTING & FINANCIAL EDUCATION

Brings Up a Huge Question

- What is more important:
  - Customer service; or
  - Compliance?

SURGENT
ACCOUNTING & FINANCIAL EDUCATION

Customer Service and AI

- Develop ways to add value to the product or service with AI tools
- Don’t force the customer to use the tools

How About Efficiency?

- The remainder of the program will be dealing with the efficiency perspective

Chapter 3

Understanding Why Organizations Are Successful

Learning Objectives

- Upon completing this chapter, the reader will be able to:
  - Understand the keys to an organization’s success;
  - Know the different organizational cultures;
  - See the advantages and disadvantages of the different cultures; and
  - Understand the trend in organizational cultures

Exercise

- Make a list of successful organizations
- Make a list of unsuccessful organizations

- Remember these lists, we will come back to them

SURGENT
ACCOUNTING & FINANCIAL EDUCATION

What Is Culture?

- How the organization works
- How decisions are made
- Who gets hired, fired, and promoted
- How people are motivated

Charles Handy and Culture

- British consultant
- *Understanding Organizations*

Four Key Cultures

- Power
- Role
- Task
- Person

Specific Aspects of the Organization

- Leader
- Goal
- Employee identity
- Change
- Values
- Control
- Learning
- Focus

Specific Aspects of the Organization (Cont.)

- Trust
- Hiring policy
- Work rules
- Dress code
- Information
- Parking

Best Cultural Fits

- Power
- Role
- Task
- Personal

Exercise (Cont.)

- Is there a correlation between culture and successful organizations?

Best Cultural Fits

- Power
- Role
- Task
- Person

Trends in Cultures

- Move toward the task culture
  - Generally more customer friendly
  - Generally more efficient

Proactive Approach to Culture

- What do we want?
- How are we going to get it?
  - How each decision will affect culture
  - Watch unintended consequences for each action
  - Chief culture officer

Has Culture Been Affected by COVID-19

- Cultures reacted to the pandemic based on their culture
  - Power, the boss speaks
    - Fast change
  - Role
    - Follow CDC
    - Slow change
  - Team
    - Faster change
    - Better customer service

AI and Culture

- If AI is used to reduce staff and distrust prevails, then the culture will probably shift to more roles
- When teams use AI for either better customer service or more productivity, then the task culture will grow

Chapter 4

Having the Best People

SURGENT
ACCOUNTING & FINANCIAL EDUCATION

Learning Objectives

- Upon completing this chapter, the reader will be able to:
  - Recognize the best employees we need to have an excellent organization;
  - Gain interview skills to get the best employees;
  - Understand personality types; and
  - See how emotional intelligence is vital to success

If You Are Going To Be the Best

- You have to have the best people
- Steve Jobs:
  - “NO Bozos allowed”
- Relationship between success and people

Which Is More Important?

- Technical skills; or
- People skills

Technical Skills

- Testing
- Experience
- Education
- Certifications

Attitude

- Desire
- Excitement
- Compatibility
- Collaboration
- Creativity

For Which Do We Usually Hire?

- Why do we often make the mistake?

Tim Cook From Apple Says

- Collaborate
- Creativity
- Curiosity
- Experience

- Ambition supporting the company culture

Google Says

- Humility
- Clarity of vision
- Leadership
- Teamwork
- Cognitive ability
- Algorithmic thinking

Which Is Easier To Train?

- Technical skills; or
- People skills

The Importance of EQ

- Emotional Intelligence:
  - The key to getting along
- The key is to understand other people and adapt to get along with them

SURGENT
ACCOUNTING & FINANCIAL EDUCATION

Understanding Other People

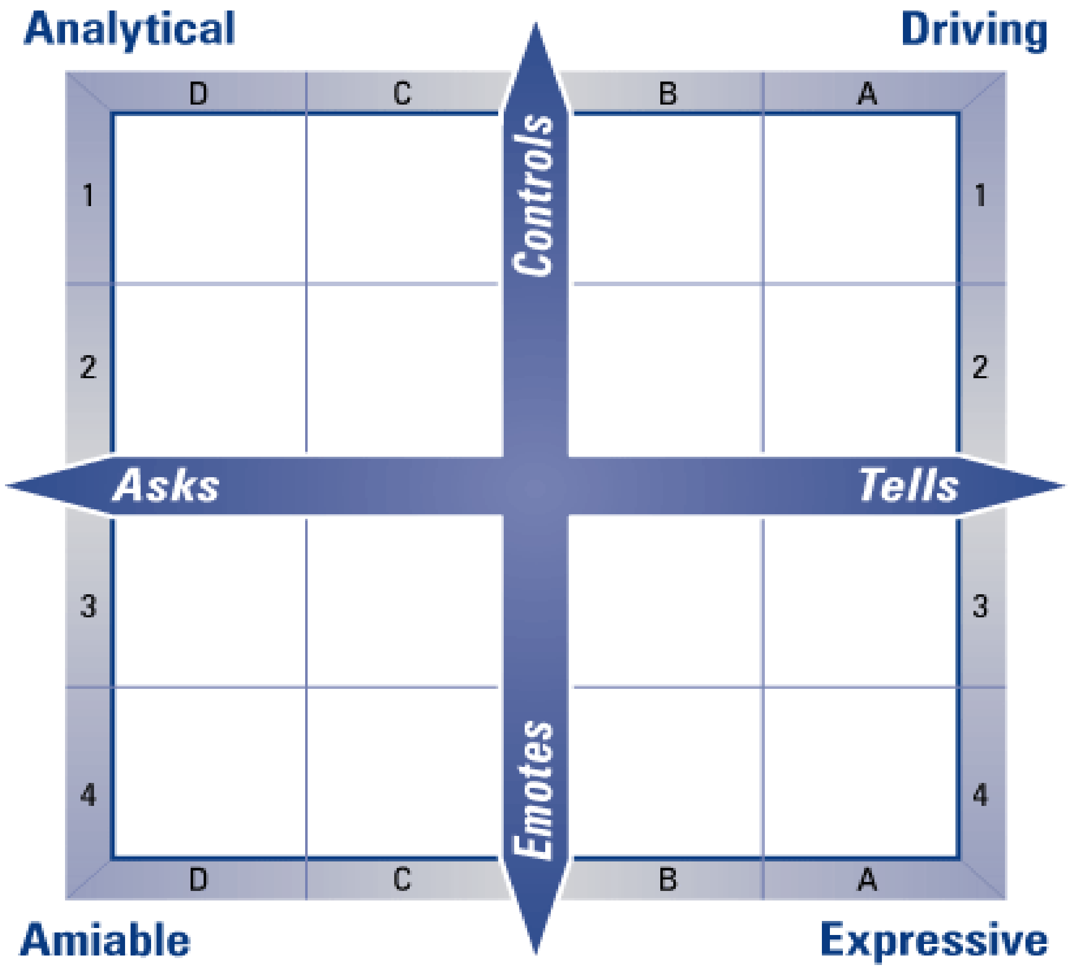
- Observe other people
- Predict what social style they are
- Know better how to deal with them

SURGENT ACCOUNTING & FINANCIAL EDUCATION

Two Dimensions to Style

- Assertiveness
- Responsiveness

Social Style Model



SURGENT
ACCOUNTING & FINANCIAL EDUCATION

Exercise

- You are new controller to a small organization. Susan is the CEO. You want to formalize expense reimbursement system. What is your central argument if Susan is a:
  - Driver
  - Expressive
  - Analytic
  - Amiable

Importance of Diversity

- Importance of difference of thought
- Understanding different customers

How To Obtain The People We Want

- Technical skills – Resume
- Attitude – Interview

How To Have Both

- Determine benchmark for technical skills
- Verify technical skills:
  - Education
  - Experience
  - Testing
  - Credentials
- Interview only those who pass the benchmark
- Interview only for people skills
- Make final decision based on people skills

Interviewing

- Group
- Case studies

Interviewing Questions

- Determine what you want
- Develop an interview question that seeks to determine that trait
- Determine how you grade the answer

Exercise – Accounts Payable Case Study

You are the accounts payable clerk for a relatively large organization. Your job is to pay the accounts as you receive them. They have already been approved, so approval is not your job. Many of the accounts you pay come as expense reimbursement requests from the sales department. In such cases, all you have to do is to double check and make sure that the requests have been approved by the head of accounting and also the sales manager. If those approvals are on the request, your instructions are to pay the request.

One day you get a request that seems familiar. Because you are curious, you check in the file and find that the same salesperson submitted a request last month listing the same customer, at the same restaurant, and for exactly the same amount. The only difference is that the backup to the request this month was a credit card receipt and last month it was the restaurant receipt.

What Do You Do?

1. Nothing. Your job is to pay not approve
2. Alert salesperson of possible mistake
3. Go to your boss and ask what to do
4. Go to salesperson’s boss and report possible fraud

Job Descriptions and Salary Ranges

- Pros and cons
- What is the trend?

AI and Hiring

- Resume screening and shortlisting
- Matching to skills needed
- Automated technical assessments
- Predictive performance analytics
- Targeted job ad optimization
- Fraud and résumé inconsistency detection
- Compensation benchmarking and offer modeling

Chapter 5

Trends in Employee Motivation

Learning Objectives

- Upon completing this chapter, the reader will be able to:
  - Determine what causes employees to be motivated;
  - Understand how to structure an incentive system;
  - See how to organize the department for productivity; and
  - Discuss what to do with a problem employee

Employee Motivation

- The old way:
  - Carrot and stick:
    - “You do good, you get a raise”
    - “You do bad, you get fired”
- The new way:
  - Still includes money at the lowest levels

Pandemic and Motivation

- Employees love to work from home
  - They discovered flexibility and autonomy
- Working at home situations do what to productivity
  - Increase?
  - Decrease?

Compensation and Fairness

- Money is not the most important thing unless people connect it to how much the company values them. At this point it is more of an ego or acceptance need

Salary Administration and Cultures

- Power – Set by the boss
- Role – Time in grade
- Collaborative – Value to the organization

Gain Share Systems

	A	B	C
Company sales	20,000,000	24,000,000	24,000,000
Accounting dept. direct expenses	300,000	330,000	330,000
Number of employees	5	5	4
Average salary	50,000	50,000	50,000
Income percent for accounting	1.50%	1.50%	1.50%
Department income	300,000	360,000	360,000
Department expenses	300,000	330,000	280,000
Department profit	-	30,000	80,000
Employee share %	10%	10%	10%
Employee share	-	3,000	8,000
Each employee share		600	2,000

SURGENT
ACCOUNTING & FINANCIAL EDUCATION

"Drive" BY Henry Pink

- Autonomy
- Mastery
- Relevance

Autonomy

- Pay people to do work, not put in time
  - Central theme of google
- Opposite of micromanagement
- Working from home
  - No program is charting computer time
- Metrics needed to follow results

Exercise

- Think of some ways to increase autonomy in your department

SURGENT
ACCOUNTING & FINANCIAL EDUCATION

Mastery

- People want to improve
  - Education
  - Read books
  - Creativity
    - Make mistakes

Discussion Question

- What are some things that your company can do to increase mastery?

Relevance

- What I do is important
  - Especially important to younger people
  - Allow employees company time for volunteer work

Exercise

- What policies can be put in place in your company to increase relevance?

Empowerment

- Empowerment is defined as the giving or delegation of power or authority

- Empowerment and culture
  - Power
  - Role
  - Collaborative

Respect

- Employees DEMAND respect
  - Otherwise, they will go elsewhere
- Respect and customer service

SURGENT
ACCOUNTING & FINANCIAL EDUCATION

What Employees Desire

- Honest feedback
- Caring for employees
- Support
- Collaboration
- Caring for the individual

Problem Ownership

- What really is the problem?
- How to present the problem:
  - I messages vs. you messages

Terminating Employees

- We primarily terminate because employees are unwilling to change behavior
  - Set it up so they fire themselves:
    - "Tom, if you repeat this behavior one more time, you are making a decision to terminate your relationship with this company. I will not be terminating you; you will be terminating yourself due to your decision. Do you understand?"

Employee Motivation and AI

- Positive
  - By reducing low-skill routine jobs, employees have more time to concentrate on more fulfilling duties
- Negative
  - When jobs are eliminated and departments downsize, or when AI is used for more sophisticated employee tracking methods, people are demotivated

SURGENT
ACCOUNTING & FINANCIAL EDUCATION

Chapter 6

Economic Update

Learning Objectives

- Upon completing this chapter, the reader will be able to:
  - Recognize key emerging economic trends;
  - See how micro and macroeconomics work together;
  - Understand how new things like the cloud and social media affect our organizations; and
  - Better predict what may happen to our business

SURGENT
ACCOUNTING & FINANCIAL EDUCATION

Why Economics Is Important To You

- You are the numbers person therefore
- You are the company economist

SURGENT
ACCOUNTING & FINANCIAL EDUCATION

Microeconomics

Key Economic Trends

- Globalization
- Industrial to knowledge economy
- The connected economy
- Non-employee employees
- Retail to the Web
- Technology to the cloud

Microeconomics and Trends

- Elements of production changing:
  - We need creative people
- Spoiled customers
- Hyper competition

SURGENT
ACCOUNTING & FINANCIAL EDUCATION

Disintermediation

- Cutting out the middleman
- Examples
  - Manufacturer directly to the customer
  - Online education
- Internet if usually the vehicle used

The AI Economy

- Productivity has increased
- Labor markets are being rewired
- Markets are becoming more efficient
- Firm structure is changing
- Inequality pressures have increased
- Changes in economics itself
- Policy debates

Exercise

- How might disintermediation affect your organization?
- Are there any ways that you can become the one doing the disintermediation?

Exercise

- What trends can/will affect your organization?

Macroeconomics

Money Supply

- Must remain in balance to growth in GDP
  - Too much money = inflation
  - Too little money = lack of growth

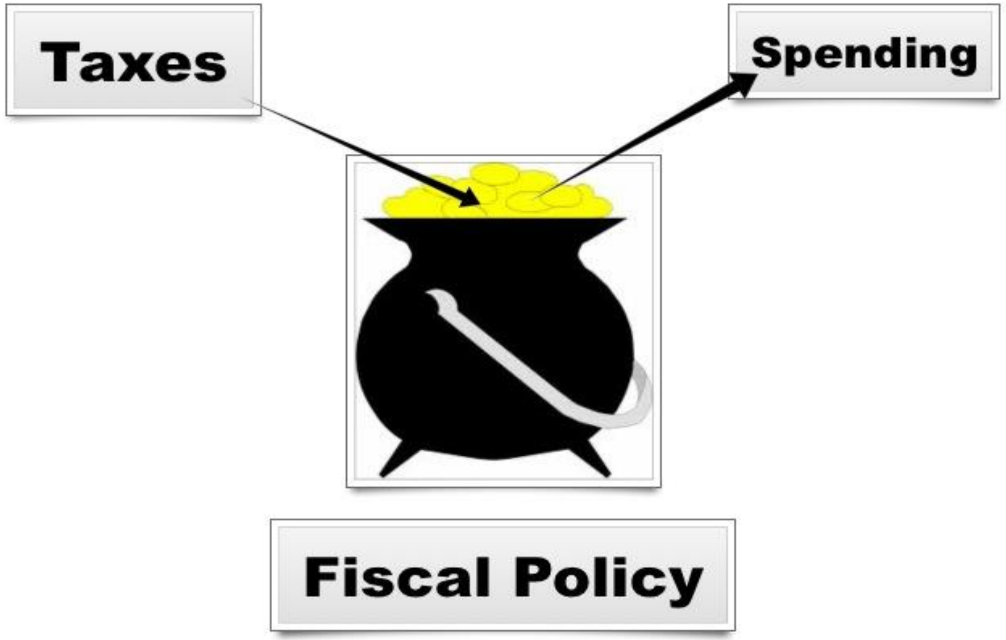
- Definition of money
  - Medium of exchange or store of value
  - For regulatory purposes
    - Cash and currency + demand deposits in commercial banks

SURGENT
ACCOUNTING & FINANCIAL EDUCATION

How Is Money Created?

- Government spends more than it takes in
  - Deficit spending
- Banking system
  - When a loan is made, money supply increases
  - When a loan is repaid, money supply declines

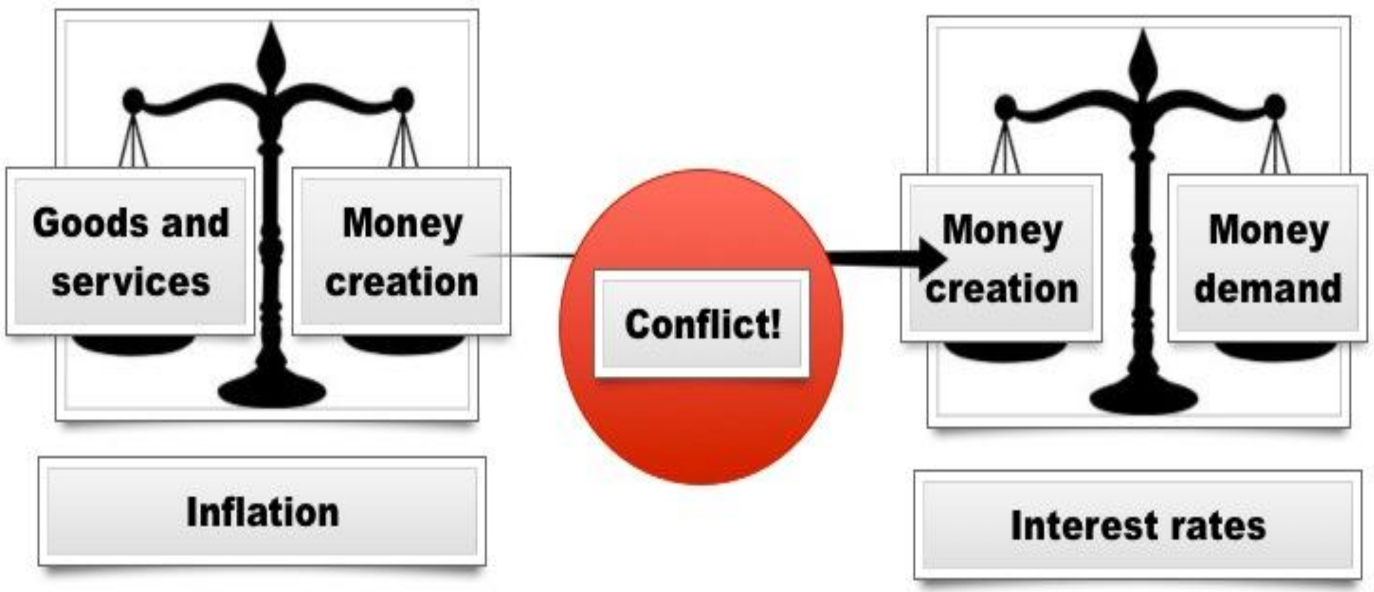
Fiscal Policy



Monetary Policy

- Controlling the amount of new money that the banks can create
  - Discount rate
    - Fed funds rate
  - Reserve requirements
  - Open market operations

Monetary Policy



What's Happening Now

- Prior to pandemic, things in balance
- Pandemic
  - Government closed much of the economy
  - A lot of deficit spending to offset
    - Probably went too far
- Fiscal policy allowed money supply to grow too fast
  - Inflation resulted
- Fed increasing interest rates to try and bring down money supply growth
  - Conflict between monetary and fiscal policy

Economic Predictions

- Views of many economists as well as the author

- Economic growth
  - Some indicators up, others down
  - Prediction is continued slowing of GDP and housing
    - Probably continuing into employment
  - Fed is hoping for a "soft landing," may pull it off
- Interest rates
  - Continue up a little more and then drop as economy falters

Thank you!

SURGENT
ACCOUNTING & FINANCIAL EDUCATION

