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Develop Every Day Strategic Thinking With the AICPA Competency Assessment Tool

By Sandy E. Sloyer, CPA, MBA, Chief Financial Officer, Capital Bonding Corporation

When someone mentions "strategic planning" what do you think of? Great military strikes? Coaching winning football teams? Successful businesses led by visionaries, such as Bill Gates, Michael Eisner, or Jack Welch? Do you recognize strategic thinking and planning in an executive or associate at your organization? What of these attributes do you see in yourself?

Strategic thinking and planning is one of the leadership characteristics exhibited regularly by successful professionals at all levels. The attributes are skills that we all need and can use every day—at work, in the community and for our own professional development. But how can we apply these principles?

Most organizations develop and adopt a strategic plan. This plan is often based on a summation of an organization's core competencies, competitive advantages, strengths and weaknesses, opportunities and threats, and critical success factors. The resulting strategic plan reflects how the organization plans to address all the issues to continue with its mission.

Although the strategic plan is essential to an efficient organization, it is even more important to have strategically minded individuals throughout the organization. Each division or department needs to know how it fits into the overall direction of the company. Only then can the daily work be prioritized to best accomplish the short-and long-term goals.

You should also apply strategic thinking and planning to your own career. What are your short-and long-term goals, strengths and weaknesses, and how can you create your own opportunities for advancement? The AICPA Competency Model for the New Finance Professional provides an assessment tool as a starting point for this self-evaluation. After you complete the assessment, the tool will summarize your results and offer suggestions to improve the areas you wish to develop. (Available at http:www.cpatoolbox.org.) Completing this self-evaluation and establishing your own development goals are actually the first steps in your personal strategic plan.

There are many opportunities to exercise your strategic thinking skills with the AICPA, especially with the implementation of the new task force environment. Being involved in a project on a topic familiar or of interest to you will expose you to other AICPA members throughout the country with similar interests. The interaction will allow you to learn by observing expert characteristics in others and will stimulate your own thinking.

Soon you will be applying strategic thinking and planning on a daily basis, throughout your organization and your own life.

2000 AICPA/IIA Value-Added Auditing Services Conference

Auditing professionals can leverage value-added capabilities gained in this conference to put them in the lead in today's rapidly evolving marketplace. With your new knowledge, you can take advantage of current profitable opportunities by applying risk management skills and by having a keen understanding of your organization's bottom-line issues.

This year's event is the premier training venue for value-added auditing, conducted with the joint expertise of the **AICPA** and **The Institute of Internal Auditors**. The **2000 AICPA/IIA Value-Added Auditing Services Conference** is being held from **February 7–9, 2000 at Caesars Palace in Las Vegas.**

Enhance your skills to provide better control assurance and manage risks effectively. Auditing professionals with vital skills in strategy consulting, e-commerce, fraud prevention and risk management are an organization's key assets. At this conference, you'll acquire expert guidance to effectively handle crucial risk management, control and governance processes issues. With stimulating sessions that address the latest advances in these important areas, you'll learn to:

- Build a solid practice framework for value-added auditing
- Apply practical communication techniques for value-added auditing
- Gain a competitive advantage through risk management
- Mitigate the risk of fraudulent financial reporting
- Implement an effective corporate compliance program
- Protect your organization from telecommunication hackers and cyberterrorism
- Manage risk the right way with value-added business controls
- Respond creatively to the challenging issues of staff turnover
- Assess the risks and rewards of e-commerce
- Employ consulting strategies vital in mergers and acquisitons
- Combine audit and legal efforts in auditing procedures
- Ask the right questions to uncover fraud

Receive 19 hours of CPE as you keep abreast of the market trends and gain new knowledge at this conference. You will hear specialists discuss 21st-century control models, governance structures and your role as a value-added auditing professional. What you'll learn at this career-enhancing event will strengthen your auditing performance and prepare you for leadership opportunities in your organization.

After the sessions, enjoy your free time at Caesars Magical Empire—a multi-chambered dining and entertainment wonderland. For the price of a three-course lunch or dinner, you'll be treated to performances by top magicians and explore an elaborately themed facility. Or you can marvel at the nearby Fremont Street Experience where four city blocks have been transformed into an elegant, covered pedestrian mall. By night, the canopy vibrates with 540 watts of wraparound sound and 2 million lights in the animated show, "Odyssey: An Illuminating Journey."

New in 2000 is an optional workshop on February 9 on Tools and Techniques for Interviewing, where you will learn investigative interviewing skills needed to conduct an interview. This workshop is worth an additional 4 CPE hours.

For more information or a conference brochure, contact our Member Satisfaction Team.

888/777-7077

The Board of Directors in the Closely-Held Business

By Warren D. Miller, CPA-ABV, CMA, Beckmill Research, Lexington, Va

In *Pawns or Potentates: The Reality of America's Corporate Boards*, author Jay Lorsch quotes two directors of large NYSE companies:

"Directors today don't want colleagues like the old ones who rubber-stamped management's decisions. You don't want to share responsibilities—or liabilities—with people who don't pull their own weight or do their homework."

"Directors are more forward nowadays. There's no more of the good-old-boy club meeting atmosphere, because of the directors' responsibility and liability. They don't assume something is correct simply because the CEO said it. They want proof he's right.[1]"

It's unfortunate that not until they had personal liability did most directors do what they should have been doing all along: looking out for the best long-term interests of the shareholders and, by extension, the company itself. Maybe this was one of those rare times when the tort bar got one right.

Of course, large publicly held companies can afford the

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[1] *Pawns or Potentates: The Reality of America's Corporate Boards* by Jay W. Lorsch with Elizabeth Maciver (Boston: Harvard Business School Press, 1989), p. 5.

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Pamela Green
supplement editor, project manager
212/596-6034; fax 212/596-6025
e-mail: pgreen@aicpa.org

John Morrow
Vice President, New Finance
212/596-6085
e-mail: jmorrow@aicpa.org

Ellen J. Goldstein
CPA Letter editor
212/596-6112
e-mail: egoldstein@aicpa.org

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"D&O" (directors' and officers') insurance premiums, but what about the closely-held business without the resources of a big company? Does it need an active board? How big should a company be before it seats some outsider directors? How does it choose such persons? What are some of the benefits and the drawbacks of having independent outsiders?

Overseeing Owners

In most large companies, the CEO seldom owns a controlling interest. That is a major difference between public companies and family businesses: In a smaller business, directors, who are traditionally viewed as representing the shareholders, may be overseeing him!

So what if the sole shareholder wants to do something dumb? What if she wants to put her drunken son-in-law on the payroll in an executive slot? Isn't that her *right*?

It depends on one's perspective. After surveying over 1,100 directors of the S&P 400, Lorsch classified board members into three groups.[2] The first, which he calls "traditionalists," take the narrow view that their job is to do what's best for the shareholders. No more, no less. The second group, so-called "rationalizers," recognize that there might be more to it than that, but they figure that if they do right by shareholders, the rest will somehow take care of itself.

Lorsch labels the third contingent "broad constructionists." This phrase describes directors who take a broader view of their responsibilities, who believe they should take the long view of the company and its business, its employees, its customers, its suppliers, and the communities where it does business, even if such a view conflicts with the desires of the CEO/chairman who appointed them. (In the family business, of course, such directors can be summarily dispatched, no matter the merits of their views.)

The presence of two overriding issues make outside directors desirable in the smaller business, in our view: growth and succession. Rapid growth has impoverished many times more companies than it has enriched. Directors who have weathered that elsewhere can make a big difference.

And succession can be a monumental hurdle, especially when the person in charge is an aging founder long past his or her prime. Sometimes it takes someone the owner plays golf with to look him in the eye and say, "You know, Bruce, it's time we made some plans to turn this thing over to someone younger."

Size vs. Growth, Management Skill, and Industry Volatility

The traditional view is that any company with fifty or more employees will benefit from having an outside board. We believe that there's more to it than that.

In our view, the question of outside directors depends more on growth, internal management skill, and industry volatility than on a company's size. A fast-growing $1 million business whose owner refuses to delegate anything probably will benefit more from outside directors than a slow-growing $10 million concern with dispersed management responsibilities. The obvious challenge is for the non-delegating owner to recognize she needs help, or to hear that message from someone close to her.

An industry's rate of change is also an important variable. This is a crucial question, as we have seen in several situations in recent years, where the controlling shareholder was aging, out of touch, and in denial about both. As GE's Jack Welch said, "When the rate of change outside a company exceeds the rate of change inside it, the end is near."

The Liability Issue

Many smaller companies that could benefit from having outside directors may protest that they cannot afford the insurance that would-be directors demand to protect them from personal liability. However, empirical data suggest that the liability issue may be greatly exaggerated. A survey by a prominent risk-management company found that companies with under $50 million in assets and fewer than 500 shareholders had about a 1 percent probability of being sued under a D&O claim.

Still, 1 percent is a real number. What can a small company do to entice outside directors? For one thing, in its bylaws or through letter agreements with individual directors, it can indemnify them from personal liability and legal expenses. It can also provide D&O insurance—if it can afford the $15,000-25,000 annual premium. The good news about this expense is that it should decline significantly after the first couple of years—if there is no litigation targeting directors as defendants. One of our clients reported a 50 percent decrease after two years.

A good solution is to form a "council of advisers" or "advisory panel." Be careful to *avoid* the word "board" (as in "advisory board"). Using this term creates ambiguity which could result in attempts to impose liability later.

To realize the full legal protection this mechanism offers, there should be *no overlap* between board membership and council/panel membership, except for the CEO/owner. The regular board of directors should continue to meet and discharge its legal obligations. All documents emanating from and relating to the council/panel should routinely stipulate that "its nature and function are purely advisory" and that "the company's legally constituted board of directors remains the proper entity for considering and implementing policy."

As always, there is no substitute for consistent and thorough documentation. Minutes of council/panel meetings should be kept, right along with those of the legally-constituted board of directors. In addition to noting which recommendations of the council/panel go before the board, documentation should clearly identify those

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Warren D. Miller, CPA-ABV, CMA, is the co-founder of Beckmill Research, a consulting firm in Lexington, Virginia, that focuses on strategic management, business valuations, and market research for closely-held businesses. Prior to becoming self-employed, he was a CFO and strategy academic. His case, "Siblings and Succession in the Family Business," appeared in the Harvard Business Review in 1998. Send comments and questions directly to him via wmiller@beckmill.com; tel. 540/463-6200.

[2] Lorsch op. cit., pp. 39-49.

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which do not go there. This will further substantiate the council/panel's separation from the board.

In the concluding installment on this topic, we will discuss how to identify the knowledge and experience needed in this cadre of outside advisors. We will also talk about recruiting, preparing a written profile of the company, compensation issues, meeting frequency, the benefits and drawbacks of such advisors, and other matters concerning corporate governance in the closely-held business.

Accounting and Finance Starting Salaries to Increase an Average of 4.65 Percent in 2000

Starting salaries in the accounting and finance fields are expected to increase by 4.65% in 2000 according to the just-released 2000 Robert Half and Accountemps Salary Guide. This reflects continued strong demand nationwide for accounting and finance professionals and nearly mirrors the 4.6% average increase reported last year at this time.

Robert Half and Accountemps are the full-time and temporary placement divisions, respectively, of Robert Half International, Inc., the world's largest staffing company specializing in accounting, finance and information technology. The annual survey is based on an analysis of the thousands of job orders managed by the company's U.S. offices.

"Accounting and finance professionals are moving beyond the traditional audit and reporting functions to play a greater role in such areas as evaluating overall company strategy and overseeing business process re-engineering efforts. Consequently, demand for their expertise remains solid," said Max Messmer, chairman and CEO of Robert Half International. He added that an increasingly competitive market for skilled talent is also fueling the rise in starting salaries at all levels.

Salary Guide research indicates that unprecedented demand for technology skills is ongoing "Accountants are working with information systems staff on projects ranging from financial systems conversions to e-commerce initiatives, which makes information technology skills imperative," Messmer said. He noted that hiring managers also seek accountants who possess a combination of analytical skills, business acumen and strengths in leadership and communication.

Public vs. Corporate Accounting

Starting salaries at large public accounting firms (defined in the Salary Guide as those with more than $250 million in sales) are expected to increase by an average of 4.8% in 2000. Managers and directors are in particularly strong demand and should see an 8.4% rise in base compensation in 2000.

In corporate accounting, managers at medium-sized companies (those with sales of $25 million to $250 million) will experience a 6.9% rise in average starting salaries, according to the guide. Senior financial, budget and cost analysts at large firms will see an increase in base compensation of 7.6%.

Fastest-Growing Starting Salaries

Accounts payable managers at medium-sized firms are expected to see the largest percentage increase in starting salaries of any single job classification, with base compensation forecast to rise by 14.1% to a range of $32,000 to $45,000 per year. Accountants payable managers at large firms should see a 9.4% gain, to between $37,000 and $47,000 annually.

"In today's robust economy, many companies are experiencing an influx of new customers, creating a significant demand for accounts payable and accounts receivable professionals. This is greatly impacting average starting salaries within these specialties," Messmer said.

Starting compensation for payroll managers at large companies is expected to increase 10.7% in 2000, while payroll clerks at large firms will see a 10.2% increase in average starting salaries, according to the guide.

Other key findings in the 2000 Robert Half and Accountemps Salary Guide:

Payroll clerks at small firms will se starting salaries increase by 8.9%. Base compensation will range from $24,250 to $27,500 annually. Chief financial officers and treasurers at firms with $50 million to $100 million in revenues will see a 7.6% increase in average salaries. Base compensation will range from $88,000 to $113,000 annually. Also seeing a 7.6% increase in salaries over 1999 are public accountants with one to three years of experience at large firms, bringing them into the range of $37,500 to $44,250. Controllers for companies generating up to $10 million in sales will see a 7.3% increase in base compensation in 2000 bringing starting salaries to the range of $52,000 to $69,000 annually. Senior analysts at companies with $25 million to $250 million in sales will make starting salaries in the range of $42,000 to $50,000—up 6.6% from 1999.

Demand for accounting and finance professionals is expected to be particularly strong in such industries as high technology, business and financial services, manufacturing, insurance and construction. However, hiring activity varies significantly based on geographic region (a regional analysis of hiring trends and compensation variances is included in the Salary Guide).

Information in the Salary Guide is derived from the thousands of job searches, negotiations and placements conducted each year by Robert Half recruiting managers. Continuing or ongoing salaries are not reported because too many external factors—such as seniority, work ethic, job performance and training—impact the salaries of full-time employees as work histories develop.

Companies nationwide have consulted the Robert Half and Accountemps Salary Guide for decades to determine salaries for all levels of employees. In addition, the U.S. Department of Labor uses the guide in the preparation of its *Occupational Outlook Handbook*, one of the largest-selling government publications.

For more information, contact Reesa Staten at 650/234–6000.