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1999 AICPA Spring National Industry Conference

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Travel to Puerto Rico to learn about the hottest new trends in business and finance and become enchanted by the exotic beauty of this lush Caribbean Island. It's just a short, reasonably priced plane flight away, but with all the comforts of the United States.

The **1999 AICPA Spring National Industry Conference** will be held on **May 20–22** at the **Westin Rio Mar Beach Resort in Rio Grande**. Consider the short and long-term benefits of this unique off-site retreat. You and your team can relax under the warm tropical sun while you gather the newest strategies and competencies for success in today's rapidly changing business environment. You'll go home refreshed, enlightened and ready to meet the enormous new challenges ahead.

Just imagine yourself in a luxurious conference center and resort boasting miles of sparkling, sunkissed beaches, superlative restaurants, lounges and entertainment showrooms, world-class golf courses, a multi-court tennis complex, a complete spa and fitness center and a magnificent casino. All of these are incomparable venues for informal networking with your peers and respected subject matter experts. Several planned social and sports events provide a host of opportunities for your discussions. And you'll also find a professional group of vendors exhibiting all types of new products and services.

More than any other, this year's conference is your passport to becoming a *New Finance Professional*—a strategic decision-maker helping your organization to successfully grow its business right now and well into the 21st century. You'll develop the expertise to be earnestly involved in, and more committed to, your company's mission. You'll discover fresh ideas for creating new tools to manage opportunity, risk and return; streamline business processes and human performance; bring reason, discipline, control and validation to business decisions and provide imaginative, dynamic planning advice.

This comprehensive conference will help you obtain the technical skills and attributes you need to assume the most influential roles in your organization. Roles in which your insightful contributions are critical to your company's growth and profitability and that meet the requirements of the *AICPA Competency Model for the New Finance Professional* in four specialized areas: **Personal Attributes, Leadership Qualities, Broad Business Perspective** and **Functional Expertise**.

Arrive in Puerto Rico a day early to profit from one of two pre-conference optional sessions and earn an additional nine hours of CPE:

Implementing Supply Chain Strategies—Attend this highly interactive full-day session and you'll participate in hands-on simulations demonstrating supply chain strategies that will help you dramatically improve performance, maximize customer satisfaction and strengthen your competitive position. Reserve now! Registration is limited to 60 people.

e-Business—Learn the most effective new techniques for profiting from the enormous business opportunities the electronic marketplace offers; everything from basic concepts to security concerns.

For more information or a conference brochure, contact the Member Satisfaction Center.

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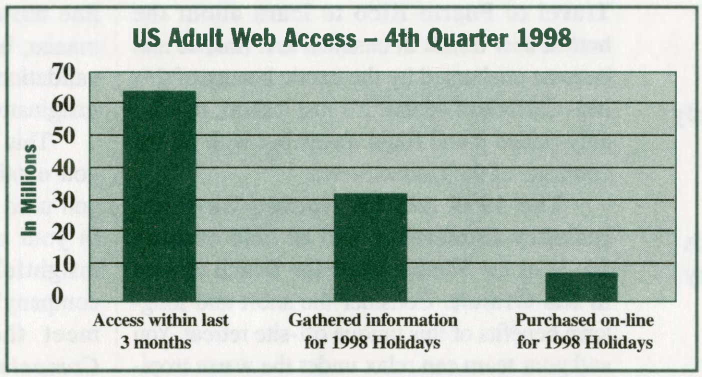
Internet Security Study

By Chris Leach, CPA

The 1998 holiday shopping season will go down in history as the first time the Internet had a major impact on the American public's shopping habits. A landmark study from InfoBeads discovered that more than 30 million U.S. adults shopped online during the holidays, with 8.2 million making $2 billion of actual purchases.

While these numbers show significant increases from last year, key issues must be improved to get the same results in the 1999 holiday shopping season. When Internet users were asked in the same study why they didn't buy online, two issues continue to surface.

Security: Specifically, credit card security tops the list. Even though MasterCard and VISA have tried to reassure the public by setting up the SET (secure electronic transaction) standards, the message has not gotten through. Another interesting finding was that many people are concerned that some sites might be shams. Branding and creditability really do matter.



Privacy: Many Net users refused to buy online because they do not want to share personal information that can conceivably be read by parties not involved with the specific transaction—the "Big Brother" syndrome. This issue is being debated constantly within the Internet community. The European community has made privacy a pivotal point in their eCommerce initiative that went into effect in October 1998.

Clearly, there is a real need to address these concerns. Security issues are being addressed, but as technology continues to evolve so will the challenges facing Internet security. The problem to be resolved with privacy is one of balancing the consumer concern for privacy and the marketing organization's need for consumer demographics. The graph above illustrates current on-line consumer purchasing habits.

As the graph illustrates, less than 13% of online users are making an actual financial purchase. The challenge for business owners is to convert online browsers to online buyers.

Summary: Security risks of eCommerce will continue to challenge the information technology professional. The pace at which new technology emerges to meet the demands of a hungry market continues to climb. The challenge is in the balancing of risk, benefit and reward for the accounting professional. According to some, privacy online is a luxury that must be given up. While I do not agree with this comment, I do recognize that privacy in other areas of our lives is not to be scrutinized with the same intensity. For example, many grocery stores have "clubs" that offer discounts for their membership. Each time you check out, you present your membership card that is scanned into the grocer's database along with the information from your purchase. This is the same type of information gathering that occurs online but without the consumer fears surrounding privacy—perhaps this is due to the face-to-face transaction that a consumer can evaluate first hand.

CPAs are in an excellent position to take the lead as their companies look for ways to tap into the global economy and the Internet. Using the business skills and professional integrity that the profession has built up and maintained for over a century, we have the needed talent to help tame the Internet. All CPAs need to get involved in technology—if you lack the skills you need to acquire and update them. Albert Einstein once said, "In the middle of difficulty lies opportunity." The opportunities afforded by the World Wide Web are limitless and therein lie the opportunity, the challenge, the fun and even the future of the accounting profession.

As always, good luck and good computing.

Mr. Leach has his own practice, Leach Consulting & Accounting, located in San Diego. The firm specializes in providing consulting services in business management, information systems and tax.

Journal of Accountancy Expands Business and Industry Content

The *Journal of Accountancy* is expanding its coverage to conform to the current makeup of the profession. As a result, its page count will increase 48 pages in May and 24 pages in all subsequent issues. We are contracting with the best business writers in the country and will be addressing topics and segments of the profession that are new to the *Journal* and specifically tailored for members in business and industry. This expansion is being added to the existing *Journal*, which will continue to present hands-on practical information as before.

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Third Annual AICPA/CAM-I Cost Management Symposium

Unlike other cost management industry conferences that feature predictable presentations about organizations that are achieving marginal breakthroughs, the AICPA/CAM-I conference features organizations that are making fundamental changes in the ways that they manage their business. The Third Annual AICPA/CAM-I Cost Management Symposium is being held on May 11–14, 1999, at the Wyndham Resort in Miami Beach. It will encourage you to tap into the knowledge and resources of these leading edge organizations and to drive change in your organization.

The innovative structure of this conference creates an environment for learning, an opportunity to network and the flexibility to design a program to meet specific needs. Whether you choose only the 2-day conference or the full 3 1/2-day curriculum, you will not find a better value anywhere.

On May 11, the full day pre-conference workshops provide focused in-depth training on key cost management fundamentals such as Target Costing, Capacity Management, Introductory and Advance Applications of ABC/M, Implementing the Balanced Scorecard, Process Management and other emerging practices. The workshops are designed so participants can interact with leading experts and their peers at a level that creates deep and applicable understanding of the material.

The two-day conference on May 12–13, features company case examples presented during general and concurrent sessions that provide real-life applications of the workshop concepts. Topics were chosen based on the results of an extensive survey of cost management practitioners. Topics for the 1999 conference program include: performance measurement, identifying and managing key cost drivers, strategic applications of ABC/M (including revenue enhancement), activity-based budgeting, target costing, capacity management, balanced scorecard, value management, *The New Finance* and knowledge management.

On May 14, half-day post-conference workshops focus on such topics as change management, effectively marketing new ideas to create buy-in, and effective communication and negotiation skills. These half-day workshops will equip participants with the tools and strategies they need to apply what they have learned at the conference in their own organizations.

For more information or a conference brochure, contact the Member Satisfaction Center at 888/777-7077.

Corporate Purchasing Card User Benchmark Survey Identifies Critical Success Factors

Since the early 1990's, corporate purchasing cards ("p-cards") have been touted by banks and other financial institutions as a tool to allow business customers to simplify the process for acquiring and paying for low-value non-inventory supplies. The idea is simple: by empowering employees to acquire goods and services with p-cards companies would eliminate the time-consuming paperwork plague associated with requisitions, purchase orders, and invoices for tens of thousands of small-dollar transactions. Consistent with the bank's assertions, numerous articles in the early and mid-90's reported glowing p-card success stories from a wide variety of businesses.

Despite the success stories, the big picture on p-cards has been less clear. Bankcard associations report that about $25 billion of the predicted $300-$400 billion p-card market has materialized. Some companies were quietly reporting that their card programs were only marginally effective at delivering the savings promised by card issuers. Recent articles had turned the market's attention to "overcoming p-card hurdles" and solving "p-card growing pains."

A recent study funded in part by the AICPA *Center for Excellence in Financial Management* was designed to identify the critical factors that contribute to company success (and failure) with p-cards and to provide participants with benchmark performance measures. The Corporate Purchasing Card User Benchmark Survey gathered p-card program statistics and information about pre-purchasing card activities, card controls, integration with supplier management and accounts payable priorities, reporting and data archival, tax and reporting-related restrictions, communications and training activities, activities to expand p-card use, satisfaction with p-cards, administration, performance measurement, and organizational and card provider support. The survey was distributed by seven major card issuers (American Express, Chase Manhattan, First Chicago NBD, GE Capital Financial, PNC Bank, Wachovia, and Wells Fargo) to 1,034 p-card using companies. One hundred and eighty-eight usable survey responses were returned. Respondents broke down as follows: 16 universities, 17 governmental agencies, 10 "other" companies (utilities, etc.), and 145 corporations—63 large (sales >=$2 billion), 46 medium-sized (sales <$2 billion but >=$250 million), and 36 small companies (sales <$250 million).

Survey results show that, for some companies, p-cards are delivering the benefits promised by card issuers: a better, faster, and more cost efficient process to acquire and pay for goods. In addition to obtaining needed goods more quickly, card-using companies report a reduction or redeployment of one full-time purchasing or payables employee for approximately every 12,000 invoices shifted to the p-card. However, success with corporate p-cards is not a given. At present, more p-card programs could be considered "underachievers" than successes.

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Confirming What We Knew

The results of the survey confirm what many companies have been saying about the inefficiency of the traditional process to acquire and pay for low-dollar goods and services. Respondents indicated that the average cost of a single transaction to acquire and pay for a typical MRO item by the traditional purchase order method was $91, whereas the average cost per p-card transaction was $15, a 6X savings factor. Furthermore, large corporate respondents indicated that invoices under $2,000 made up 63% of all invoices processed, but accounted for less than 20% of company spending.

Card Program Activity

The survey revealed that success at shifting transactions to the p-card could best be described as "uneven." The highest level of monthly card spending and transactions in the sample was $10.5 million and 52,900, respectively. The mean and median card spending per month for all companies was $752,918 and $161,884 per month, respectively. The top 20% of companies (based on monthly card spending) accounted for 81.7% of all p-card spending in the sample. More importantly, the survey revealed that successful programs are driven by seven key factors, briefly summarized below.

Program Goals and Management Support

Organizations shifting the largest number of transactions to p-cards (both in absolute number and relation to the company's paperwork reduction opportunity) report higher levels of managerial support for the card program at all levels—from the department to the executive level. In particular, successful p-card programs get more vocal support from a top management "sponsor." Further, successful programs are more likely to have quantified performance goals. Though most companies had part-time p-card administrators (PCAs), analysis showed that for every 1% of full-time work by PCAs, monthly p-card spending increased by $27,444. Accounting-related areas (accounts payable, finance, and treasury) were responsible for card program management for 54% of the respondents.

Liberal Distribution and Use of Card

P-card success requires that the company reconsider its concept of internal control. The most fundamental form of control of p-cards is access. By limiting the number of employees given pre-approved spending authority in the form of a p-card, the company controls its exposure to financial risk or budgetary upset while undermining the basic value proposition of the p-card. However, the strongest and most consistent finding in this study is that the key element of success in p-card programs is a liberal distribution of cards to the widest possible array of employees. Highlighting this important point is an analysis of 56 large companies (sales > $2 billion) with programs at least one year old. Of the 56 companies, 26 spent $1 million or more per month and accounted for 89.9% of all p-card spending in the group; the other 30 companies accounted for a meager 11.1% of p-card spending. Though the "high spend" were not significantly different than "low spend" companies in average sales revenue, they had:

- 5.6 times as many cardholders,
- 7.8 times as many transactions,
- 9.2 times the average monthly p-card spending ($3,573,669 versus $386,767), and
- 6.5 times the reduction or redeployment of personnel in purchasing and AP.

Furthermore, the "high spend" companies reported 57% more transactions per cardholder, a significantly smaller percentage of cardholders that did not use the card, and twice the percentage of employees possessing a p-card.

Relaxation of Controls

Companies shifting more transactions to p-cards or capturing a greater percentage of their under $2,000 card spending opportunity did so by giving employees higher monthly spending limits and allowing a broader range of goods and services to be acquired with the card.

"Ease of Use" for Cardholders

Ease of use was found to be a critical factor in the success of the p-card program. Successful programs encouraged card use by eliminating card spending logs, having fewer card spending audits, eliminating manual sales tax data collection, and in some cases, requiring Purchasing to refuse to process small dollar orders or to charge the requisitioning department for services to handle these orders. Curiously, poorly performing programs audited cardholders nearly twice as often as their "high activity" counterparts—even though the high transaction companies did over 5 times as much p-card spending per month!

Communications and Training Activities

Companies that shift larger numbers of transactions to the card and capture a larger percent of the under $2,000 transaction opportunity are significantly more likely to have ongoing communications about the card program, training sessions on card use, internal user conferences, and a company "p-card" Web site.

Attention to Change Management Fundamentals and Company Context

Survey results indicated that more successful programs had communicated a greater sense of urgency about card use, presented a stronger "business case" about card benefits, and engaged in more frequent communications about the impact cards would have on organizational efficiency. Also, company background played a role in program success: organizations that captured significantly more of their transaction potential reported higher levels of employee involvement in process improvement projects and greater success with previous process improvement initiatives. Conversely, employee perceptions that process improvements lead to job losses were associated with weaker card programs.

Utilization of Technology/Role of Card Issuers

High transaction companies were more likely to utilize electronic features to manage the cardholder database and user profiles (spending limits, etc.) and to map p-card spending to the general ledger.

For more information or to obtain a copy of survey results, contact Professor Richard Palmer at inksling@midwest.net or 314/935–6336.