streetwise

BY GERALD ARANOFF, STEPHEN BARLAS, ELIZABETH FIGGIE, RONALD KIRK, PETER LEITNER, TINA WILFER, KATHY WILLIAMS

[NEWS]

Are Your Business Travel Expenses Under Control? | KATHY WILLIAMS

Even though business travel costs continue to rise and more companies put in place additional controls to prevent fraud and abuse and to comply with regulations such as the Sarbanes-Oxley Act (SOX), management is under increased pressure to cut T&E costs and improve operational performance. The biggest hurdles to doing this are information collection and visibility, rising process costs, sustaining employee service levels, and selecting the right travel partners, a new report from the AberdeenGroup found. Titled "Best Practices in Category Spend Management: Travel—Success Strategies for Policy, Supply, and Regulatory Compliance," it outlines management tools and governance policies that are helping control costs and ensure compliance. IMA members may access the report for free through the end of October via www.aberdeen.com/summary/report/benchmark/RA_TravelBP_CD.asp.

To understand the challenges to effective travel cost management and find out what strategies management was putting in place to achieve success, Aberdeen surveyed 147 enterprises. Ten emerged as "Best Practice" companies. They are Acuity Brands Inc., American Electric Power Company Inc., American Standard Companies Inc., Applera Corporation, The Chubb Corporation, Enbridge Inc., Hormel Foods Corp., HNTB Companies, Starbucks Coffee Company, and a top entertainment company that requested anonymity.

The research "confirms that companies are seeing significant improvement by leveraging centralized programs that establish policies, procedures, and preferred suppliers," Christa Degnan, Aberdeen's research director and author of the report, said. "They are also instituting a clear governance program to ensure compliance and rolling out Web-based automation to manage both."

Here are some of the key tactics employed by companies with the most improved travel cost management programs:

- Understand current travel expenditure commitments at a granular level through online information collection and analysis.
- Centralize travel management and supplier negotiations, and give suppliers the business promised them.
- Establish a single travel policy, including booking and reconciliation procedures, and make sure all employees follow it. This means you need to communicate the terms of the policy clearly and consistently to everyone, give employees the proper tools to use, and enforce the rules where necessary. ■

RECOGNIZE EMPLOYEE EFFORTS

Ajilon Office, which is part of the human resource services company Adecco, offers a few ideas on how to recognize your employees for doing a good job. Apparently, 79% of those who leave their jobs do so because they don't feel appreciated.

Say "thank you." A sincere word of thanks from the right person at the right time can work wonders. Call employees into your office just to thank them—don't discuss anything else. Ask your boss or someone higher up to call and thank the employee. Or send a handwritten thank-you note to your employees' homes, and make sure you include their family for their support.

Try variety. Some might like a gift, while others would prefer a note or simple verbal praise. Tailor the reward to the individual.

Money talks. Although most companies can't give out money at will, you can make sure your employees are compensated fairly in comparison to their coworkers and by industry standards. ■

Letters to the Editor

Clarification

The September 2005 issue bears a small, but important, omission for which I, the author of "Measure Twice, Cut Once: Creating and Measuring Value in Private Firms," take full responsibility. Early in the editing process a word was removed that I did not notice, and thus approved.

On p. 29, the second paragraph begins with "To manage for value, leaders must first rigorously evaluate free cash flow and profits." The word "economic" should have preceded the word "profits," which would change the meaning of the subject and thus the context of the paragraph.

Peter Leitner, CMA, CFM
Founder/CEO
Numeria

Taking Issue

I take issue with the August 2005 article by Alfred King, "Suzie's Sweater: The New Paradigm in Accounting."

First, Mr. King overlooked an important fact. In its project to develop a comprehensive standard for revenue recognition, the FASB decided in May to explore an approach under which performance obligations (liabilities) would be measured by allocating the customer consideration amount rather than at fair value because of difficulties in measuring fair values.

Ignoring this, however, the article contains some additional points with which I disagree.

Even under Mr. King's scenario, virtually everyone would have flunked that quiz as the article didn't state what the fair value is of the obligation *continued on page 61*

[GOVERNMENT]

PCAOB's New Standard on Material Weaknesses

STEPHEN BARLAS, EDITOR

Section 404 of Sarbanes-Oxley continues to be a lightning rod. The latest example is the new auditing standard issued by the Public Company Accounting Oversight Board (PCAOB) for use when an auditor goes back and checks to see whether a company has corrected a material weakness in internal controls the auditor had previously identified. Auditing Standard 4 (AS4) would require an outside auditor to get a "reasonable assurance" from a company's top officials that the problem was taken care of. To do that, the auditor has to obtain and evaluate evidence that the new controls were designed and operated effectively as of the date specified by management. The key word there is "operated." Obviously, the auditor can't take management's word. Management must present "sufficient evidence, including documentation." A number of members of the accounting community, including the AICPA's Center for Public Company Audit Firms, had strongly suggested that the PCAOB change the wording of the standard to allow an auditor to certify that the *control objective(s)* related to the material weakness *has been achieved*. The Center and individual accounting firms wanted the change because the wording "elimination of a material weakness(es)," while technically correct, doesn't take into consideration the fact that, while the deficiency may have been reduced, it may not have been fully eliminated. But the PCAOB didn't take that advice. It did, however, agree with the auditing community that it shouldn't be necessary for an auditor to reidentify all previous material weaknesses when the auditor goes back to check on one of them under AS4.

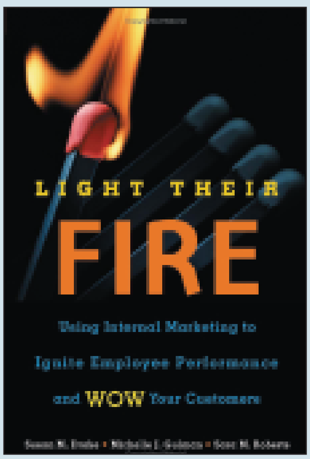
Congress Works to Continue Terrorism Insurance Support

The federal guarantee of insurance companies providing terrorism insurance to U.S. companies expires at the end of 2005. About half of U.S. companies hold terrorism insurance, and their premiums would undoubtedly increase if federal subsidies end. John T. Sinnott, vice chairman, Marsh & McLennan Companies, Inc., told a House committee on behalf of the Council of Insurance Agents and Brokers that the government should support some sort of "pooling" mechanism with a limited federal backstop that would phase out over time. A June 30, 2005, report from the Treasury Department stated the federal support of private terrorism insurance should not be extended "as is." Continuation would crowd out innovation and capacity building, the report said. Rep. Richard Baker (R.-La.), chairman of the House Financial Services subcommittee on capital markets, insurance, and government sponsored enterprises, says, "It's clear from the recent remarks of (Treasury) Secretary Snow that a more comprehensive legislative effort, one that incorporates greater taxpayer protection, is necessary." ■

[BOOKS]

Marketing to Your Employees

The basic premise behind internal marketing is that if your employees love the product or service that your company sells, then your customers will love it, too. Seems simple, right? Sure, if you've already reached that point. If you haven't, however, you may be missing out on one of the most powerful marketing tools at your disposal. In their book, *Light Their Fire: Using Internal Marketing to Ignite Employee Performance and WOW Your Customers*, Susan M. Drake, Michelle J. Gulman, and Sara M. Roberts describe how to turn your employees into what they call "E" employees—those that are engaged, enabled, and empowered. "E" employees love their jobs, which results in higher retention rates and can significantly reduce or eliminate the costs associated with high employee turnover. And no matter what size your company (or department), you can create a winning team of employees that will go the extra mile to delight your customers.



There are eight steps to developing and implementing a successful internal marketing program: (1) Set the course, (2) define the audience, (3) assess the climate, (4) define the message, (5) choose the right vehicle for your message, (6) choose champions, (7) execute the plan, and (8) measure success and adapt the plan. The authors provide excellent suggestions on how to work through each step as well as how to regroup and go forward should you encounter a roadblock.

One key aspect in creating "E" employees is the development of an internal brand. It should be related to your company's external brand but should also be something that employees can embrace and make their own. The authors cite successful examples from real-world companies, such as Hampton Inns' "Make it Hampton." These internal marketing initiatives should be targeted at all employees, not just those who have direct customer contact. In order to be successful, HR, IT, and Finance need to be on board with the program.

Since communication is the key to the achievement of goals, make sure that what is communicated and how it is communicated are effective. The authors provide pointers on how to assess the audience and tailor the message so that it is received and understood—whether the news is good or bad. They even provide some tips on what *NOT* to do in a PowerPoint presentation, which many of us have probably been guilty of at one point or another.

If you want employees to embrace the mission, vision, and values of your organization, the employees need to be involved in establishing them. The authors provide expert suggestions on how to gather input from employees while making them feel empowered. For example, they give several great ideas on how to conduct surveys and focus groups to assess the climate and enable employees to set objectives.

Another key to the success of any internal marketing program is to recognize employee accomplishments toward the achievement of the goals. The authors suggest some ways to recognize employees in an effective manner, including how to develop a formal recognition program. Recognition should encourage the employee to continue to perform while motivating others to do the same.

The authors pack a lot of great ideas and suggestions into less than 250 pages. On top of citing successful real-world examples, they also convey some disastrous (albeit amusing) stories of companies' failures at trying to create "E" employees. Although the material is serious, the authors keep the tone light and entertaining. They use some interesting stories (imagine Ben Franklin as a major league baseball pitcher) to get the readers' attention, as well as a few true stories that made me chuckle while I was reading (a fire in the middle of a manicure at Elizabeth Arden). I am going to use a lot of the ideas from the book to make an "E" team of my own and plan on sharing the book with the HR and training departments in my organization.—*Ronald Kirk*

[LETTERS] *cont'd from p. 24*
to provide the sweater. This data is needed to apply the fair value approach that the article ostensibly is explaining.

The article also indicates that, under that approach, a reporting entity would record 100% of a contract's profit at contract generation. This is not correct. A performance obligation would be recorded at fair value, which includes a profit element that a marketplace participant would demand to assume the obligation. Therefore, only *some* of the contract's profit might be recognized at contract generation—and in some instances, a loss might be recognized.

I do agree, however, that issues involving revenue recognition are among the most important and difficult ones that accountants face. Be assured that the FASB's objective of the revenue recognition project is to develop guidance that will improve financial reporting by eliminating inconsistencies and filling voids in the existing guidance and by providing strong conceptual guidance that would be useful in addressing issues that may arise in the future.

Elizabeth Figgie
Assistant Project Manager
Financial Accounting Standards Board

The views expressed here are my own and do not represent positions of the Financial Accounting Standards Board (FASB). Positions of the FASB are arrived at only after extensive due process and deliberations.

Different Feedback

I think the conversation in the August 2005 Best Practices, p. 8, should have been a little different. It went, "The boss finally talks to Jo: 'I need to give you a little feedback. A couple of the senior managers aren't pleased with the work you've been doing. It feels to me as if you're off your game.'

'Can you be a little more specific?' she asked.

'Not really,' he answered. 'They just don't feel the program is as strong as it could be.'"

A good rule is to discount bad-mouthing as if it never happened, particularly when there are no specifics. It's unprofessional and unethical for a boss and senior managers to bad-mouth an executive without first speaking to the executive.

Presumably, Jo is there to talk to her boss about her work. She must go ahead and do so and not be put off by a bad-mouthing from unnamed senior managers. A good rule is not to believe that people bad-mouthed her. Mistakes happen. Maybe the senior managers were talking of someone else or maybe they meant what they said entirely differently, in a positive way.

Here's how I think Jo should continue:

"I'd like to tell you how I see things unfolding, my feelings about my progress, and how I see my contribution."

The boss didn't fire her. Nothing more than an unpleasant conversation happened. Jo should try to get over it as soon as possible. She should try to restore her balance and to start a dialogue with her boss. She must put the bad-mouthing out of her mind entirely.

Prof. Gerald Aranoff
Bnei Brak, Israel

Taxes

I always enjoy reading [Anthony Curatola's] tax articles in *Strategic Finance* and found the September one on the FSA changes particularly timely. One minor clarification I would like to add, however, is that, at the bottom of p. 16, [he] closed the second to last paragraph before the examples with the statement "Hence, if the plan isn't modified by the employer, for whatever reason, then the December 31 deadline remains in effect." I believe that it is the deadline of the existing plan year that remains in effect, and that may or may not be "December 31" if the plan uses a fiscal year.

Tina Wilfer, MIM, CMA
Development Associate
Fox Cities Performing Arts Center