streetwise

BY STEPHEN BARLAS, LINDA DEVONISH-MILLS, RAEF LAWSON, KATHY WILLIAMS

[NEWS]

How to Survive a Job Loss | KATHY WILLIAMS

Given the recent events in the financial industry and other areas of the economy, experts are predicting that layoffs will continue. To help those who might end up losing their jobs, the Five O'Clock Club career coaching network offers seven tips for staying afloat.

1. Negotiate the best possible severance package, including some sort of outplacement. Decide what you want—don't start with the company policy, the group advises. Try to get continued health insurance benefits, ask for a year of career coaching and the right to select the service, and don't accept cash for the entire settlement. Deal with each of these issues separately because this gives you more leverage, the Club says. Also, don't underestimate how much time and coaching you might need to get a new job.

2. Don't let a layoff lower your self-esteem. Remember that lots of good people get downsized. The Five O'Clock Club says that 78% of the people who attend their sessions get a new job at or for more than their previous pay.

3. Find a way to structure your life, and keep a routine. Call on contacts in your current trade association, join additional associations, schedule interviews. Work on your job search so you will remain motivated.

4. Conserve your severance pay. A large cash settlement can disappear quickly, the group notes, especially if you have to pay for your own benefits. Your job search also could take longer than you expect. If you take some time off to recoup, spend as little money as possible.

5. Make sure you set aside time for your search. The group recommends that you spend at least 40 hours a week on your job search if you are unemployed.

6. Work on your targets. This means the right job, the right field, the right areas. Expand your search into several geographic areas, if necessary. Consider small or private companies if you are only looking in large corporations. Think of several financial jobs you might want to pursue.

7. Take the time to find the right job for you. Don't leap into the wrong job just for security. Hard work will grind you down unless you love the business you're in, and taking the wrong job might make you seek a new one quickly.

For more information about the Five O'Clock Club and job hunting tips, visit www.FiveOClockClub.com. ■

STAFF ENROLLMENT PROGRAM IS AVAILABLE

One of the expected business outcomes of IMA's Strategic Plan during the fiscal years 2009-2012 is incremental increases in membership (see Streetwise, p. 21, in the August 2008 issue of *Strategic Finance*). As part of IMA's recent corporate development initiatives, IMA staff members have been reaching out to corporations to increase their awareness of IMA. Some of the focus of our outreach is to let small and medium-sized entities know about the benefits of enrolling their staff as IMA members.

Efforts are currently under way to reach out to IMA members and nonmembers who are controllers or CFOs to let them know how they can enroll their staff as members through IMA's staff enrollment program. This program allows members and nonmembers to obtain membership at a price lower than the regular rate of $195. Companies that have accounting and finance staff of five to 49 people can obtain membership at a fee of $175, and companies with staff of

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[STAFF ENROLLMENT] *cont'd from p. 21*

50 to 99 can obtain membership for $165. Although part of our focus is small and medium-sized entities, we also offer customized packages for companies that have staff of 100 or more. The staff enrollment program is a great way to expose accounting and finance professionals at all levels to products and services offered by IMA, such as our publications and webinars, and access to materials that help Certified Management Accountant (CMA®) candidates pass the CMA examination.

Please contact Linda Devonish-Mills at lmills@imanet.org for additional information about the staff enrollment program. We are also beginning formal communications with some IMA chapter presidents to let them know how chapter representatives can help tell corporations in their area about IMA. If you are a chapter president or other senior chapter representative, please contact Linda to determine how your chapter can become involved in this effort. ■

We welcome all opinions on articles and departments published in *Strategic Finance*. E-mail correspondence to Kathy Williams at kwilliams@imanet.org.

[GOVERNMENT]

IFRS Proposal from SEC Likely to Hit Headwinds

STEPHEN BARLAS, EDITOR

The Securities & Exchange Commission (SEC) announced a phase-in period for a select group of very large corporations who will be able to use International Financial Reporting Standards (IFRS) for their filings starting in 2010. The move was expected, but it could be refined around the edges before the SEC issues a final rule. It's also possible that the Democrat-controlled Congress could cancel or modify any rule that the SEC issues. Democratic committee leaders have previously told SEC Chairman Chris Cox to "go slow" on any last-minute regulatory changes. Specifically with regard to IFRS, Democrats such as Sens. Chris Dodd (D.-Conn.) and Jack Reed (D.-R.I.)—not to mention either presidential candidate—are likely to be sympathetic to the feelings of investor and consumer groups who have considerable reservations about IFRS. Dodd is chairman of the Senate Banking Committee, and Reed is chairman of its securities, insurance, and investment subcommittee. One investor advocate group points out that the International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) have both published documents critical of IFRS in four areas: revenue recognition, consolidation accounting, fair value measures, and derecognition accounting. The IASB has timelines to fix the first three standards, but who knows how long that will take. Don't expect them to be reworked by 2010. The SEC announcement on August 27 proclaimed the Commission's intention to allow a limited group of about 110 U.S. companies—representing the 20 largest companies in their respective industries—to use IFRS on a voluntary basis for filings in 2010. The SEC could rule in 2011 to open up early eligibility to additional companies starting in 2014. Clearly, business groups support that kind of time frame. Colleen Cunningham, regional managing director of Resources Global Professionals, Inc., and a former CEO of Financial Executives International (FEI), says, "As markets become more and more global, and all other major capital markets have embraced IFRS, it is clear that the SEC needed to require companies to begin the complex process of converting their books to IFRS."

PCAOB Survives Legal Challenge

The Public Company Accounting Oversight Board (PCAOB) has passed legal muster. A subgroup of judges on a federal appeals court rejected a challenge to the legality of the PCAOB that alleged its Board members should be appointed by either the President of the United States or the chairman of the SEC. PCAOB Board members are appointed by all five SEC commissioners collectively. The PCAOB was created by the Sarbanes-Oxley Act of 2002 to write and enforce auditor standards.

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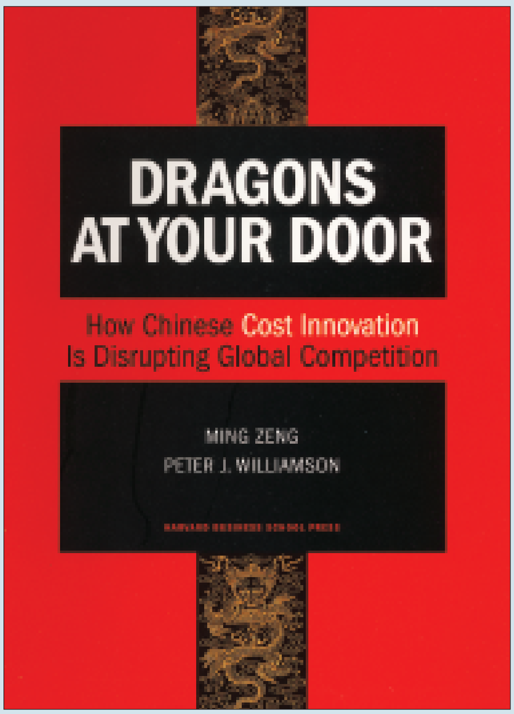
[BOOKS]

China's Competitive Advantage

China's emergence as a manufacturing powerhouse has become a well-discussed topic. That its power to change the face of global competition is derived from the surge of dozens of companies few outside China have even heard of is less well known. These companies are the "dragons" of Ming Zeng and Peter Williamson's *Dragons at Your Door: How Chinese Cost Innovation Is Disrupting Global Competition*—companies that have been able to back innovative strategies with quality management and excellent execution.



According to Zeng and Williamson, these companies are disrupting global competition by breaking the established rules of the game. Their tool of choice is cost innovation: the strategy of using the advantage of low Chinese costs in radically new ways to offer customers around the world dramatically more for less. This can involve offering customers high technology at low cost; an unmatched choice of products in what used to be considered standardized, mass-market segments; or using low costs to offer specialty products at dramatically lower prices, turning them into volume businesses.

The Chinese dragons are leveraging low-cost Chinese R&D resources to deliver high technology at mass-market prices. They focus on process innovation to breathe new life into technologies that Western companies have written off as obsolete or uneconomical. This enables them to develop innovative products at a fraction of the cost of their global competitors by recombining existing technologies in new ways, using open architecture to bypass traditional barriers to innovation, and rendering obsolete the experience of their established Western competitors.

How can companies compete with the dragons? The most common strategy adopted by companies in high-cost countries is to shift their focus to the high-end segments of their markets, a strategy that often ends in dramatic failure. After the dragons cover their fixed costs in the mass market, they can reduce prices down to marginal cost if they decide to cherry-pick up-market niches. The cost disadvantage of the retreating incumbent firms becomes even greater as they move to successively smaller high-end segments of the market. Since the Chinese companies are using their cost advantage across a broad swathe of activities, moving to successively higher-end segments as a competitive strategy is just as likely to result in business failure as it is in success.

Dragons at Your Door is a fascinating must-read for anyone at a company that is confronting the Chinese competitive challenge. It points out the strengths and weaknesses of Chinese companies competing abroad and identifies the factors that determine the extent to which a company's business is prone to disruption by the new wave of competition from China. Each factor is influenced by the strategy adopted by a company in response to the emerging competition. The book presents radical new approaches to competing with the emerging Chinese companies and discusses possible strategies for dealing with them.—*Raef Lawson, CMA, CPA, rlawson@imanet.org*

[GOV'T] *cont'd from p. 24*

The lawsuit was brought by the Free Enterprise Fund and Beckstead & Watts, a small Nevada accounting firm that was being investigated by the PCAOB. The plaintiffs argued that, under the Constitution, principal federal officials must be named by the President; lesser officials may be picked by a department head. The plaintiffs said the SEC can't make lesser appointments because it is a five-member body, not a department head. The majority ruling disagreed, finding that PCAOB Board members are inferior officers who may be appointed by the SEC. Sam Kazman, general counsel for the Competitive Enterprise Institute and one of the attorneys in the case, stated, "The accounting board has acted in a manner befitting an unconstitutionally structured agency, imposing incredibly excessive regulations on the American economy." While the lengthy decision was still being analyzed, a petition for rehearing by the full circuit court is likely.

In other PCAOB news, the SEC endorsed and finalized a tweak to the PCAOB's independence rules. The new rule adds a requirement that an auditor not only tell a company's audit committee about any business it does with the company and its officers, but that the auditor also should document "the substance of its discussion with the audit committee." ■