εJournal of Indian Society of Management Accountants (ISMA) July 2019

ISMA Creating value

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ISMA is dedicated to promoting best practices in area of cost & management accounting. ISMA represents open forum of professionals working in area of Cost & Management accounting who integrate accounting expertise with advanced management skills to achieve business success.

FROM THE DESK OF EDITORIAL

Dear Reader,

The journey towards the fulfillment of ISMA vision of development of CMA Profession is moving to an inflexion point. ISMA has successfully conducted many events in past and also in continuations of organizing few more knowledge sessions in coming months.

ISMA also realized need of qualitative contributions in area of management accounting for development of CMA profession. To achieve this objective we invite articles , case study , research papers with specific focus to the application of Management Accounting tools and techniques from Authors , Industry professionals , CMA/MBA students or Academicians of reputed Management Institutes/ Colleges.

We are also looking local Volunteers / Coordinators who could act as a local chapter organizer of ISMA to conduct professional activities in their respective areas. ISMA would provide them necessary knowledge & functional support. Please bring this notice to the attention of who-so-ever Finance professionals to be interested to take up this activity. Interested person should drop a mail on cmaindiaonline@gmail.com

We wish to share current publication of ISMA eJournal and await your feedback to make it more interesting and informative.

Let's transform CMA Profession together.

Change is beautiful!!!

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ISMA UPCOMING EVENTS

For details refer inside pages

CMA --- The most respected and valued profession of the world.

Measuring and Managing Customer Profitability

Gary Cokins

Gary Cokins (Cornell University BS IE/OR, 1971; Northwestern University Kellogg MBA 1974) is an internationally recognized expert, speaker, and author in enterprise and corporate performance management (EPM/CPM) systems. He is the founder of Analytics-Based Performance Management LLC www.garycokins.com . gcokins@garycokins.com;

The only value a company will ever create for its shareholders and owners is the value that comes from its customers—current ones and new ones acquired in the future. To remain competitive, companies must determine how to keep customers longer, grow them into bigger customers, make them more profitable, serve them more efficiently, and acquire more profitable customers.

But there's a problem with pursing these ideals. Customers increasingly view suppliers' products and standard service lines as commodities. This means that suppliers must shift their actions toward differentiating their services, offers, discounts, and deals to different types of existing customers to retain and grow them. Further, they should concentrate their marketing and sales efforts on acquiring new customers who have traits comparable to those of their relatively more profitable customers.

As companies shift from a product-centric focus to a customer-centric focus, a myth that almost all current customers are profitable needs to be replaced with the truth. Some high-demanding customers may indeed be unprofitable! Unfortunately, many companies' managerial accounting systems aren't able to report customer profitability information to support analysis for how to rationalize which types of customers to retain, grow, or win back and which types of new customers to acquire. With this shift in attention from products to customers, managers are increasingly seeking granular nonproduct-associated *costs to serve* customer-related information as well as information about intangibles, such as customer loyalty and social media messaging about their company and its competitors. Today in many companies there's a wide gap between the CFO's function and the marketing and sales function. That gap needs to be closed

Here's the basic problem. With accounting's traditional product gross profit margin reporting, managers can't see the more important and relevant "bottom half" of the total income statement picture—all the profit margin layers that exist and should be reported from customer-related expenses such as distribution channel, selling, customer service, credit, and marketing expenses.

The marketing and sales functions already intuitively suspect that there are highly profitable and highly unprofitable customers, but management accountants have been slow to reform their measurement practices and systems to support marketing and sales by providing the evidence. To complicate matters, the compensation incentives for a sales force (e.g., commissions) typically are based exclusively on revenues. Companies need to not just increase market share and grow sales but to grow *profitable* sales. Compensation incentives should be a blend of both customer sales volume and profits.

Who are the troublesome customers, and how much do they drag down profit margins? Who are the valuable customers? What's the difference between a valuable customer and a profitable one? More important, once these questions are answered, what corrective actions should managers and employees take to increase the profit from a customer? Measurements are the key.

Good vs. Bad Customers

Some customers purchase a mix of mainly low-profit margin products. After adding the nonproduct-related *costs to serve* for those customers, *apart from* the costs of the mix of products and standard service lines they purchase, these customers may be unprofitable to a supplier. But customers who purchase a mix of relatively high profit- margin products may demand so much in extra services that they also could potentially be unprofitable. How does a company measure customer profitability properly? In extreme cases, how does it deselect or "fire" a customer that shows no promise of ever being profitable?

Every supplier has what I call good and bad customers. Low-maintenance "good" customers place standard orders with no fuss, whereas high-maintenance "bad" customers always demand nonstandard offers and services, such as special delivery requirements. For example, the latter constantly returns goods or contacts the supplier's help desk. In contrast, the former just purchases a company's products or service lines and is rarely bothersome to the supplier. The extra expenses for high- maintenance customers add up. What can be done? After the level of profitability for all customers is measured, they all can be migrated toward higher profits using "profit margin management" techniques, which I'll discuss later.These observations have been around for decades. Back in 1922, William B. Castenholtz wrote in "The Application of Selling and Administrative Expense to Product" in the *National Association of Cost Accountants (NACA) Yearbook*:

"Very often, although a cost system may be nearly perfect and all possible factory economies may have been effected, a manufacturer may nevertheless show losses due to inadequate control over his selling and administrative expenses. In fact, unless the same (costing) principles are applied in controlling selling and administrative costs (as for production), the entire advantage gained through efficient low-cost production may be lost."

Pursuit of Truth About Profits

Why would a company want to know the answers to the questions about customer profitability levels? Possibly to answer more direct questions about its customers, such as:

- Do we push for volume or for margin with a specific customer?
- Are there ways to improve profitability by altering the way we package, sell, deliver, or generally service a customer?
- Does the customer's sales volume justify the discounts, rebates, or promotion structure we provide to that customer?
- Can we influence our customers to alter their behavior to interact differently (and more profitably) with us?
- Can we shift work to or from some of our customers based on who, them or us, is more capable or has lower process expenses?

To be competitive, a company must know its sources of profit and understand its own expenses and cost structure. With the facts, what actions can be taken to increase profits? For outright unprofitable customers, a company can explore passive options of gradually raising prices or surcharging for extra work, hoping the customer will go elsewhere. For profitable customers, a company may want to reduce customer-related causes of extra work for its employees (e.g., unneeded extra product packaging), streamline its delivery process, or alter the customers' behavior with pricing incentives so those customers place fewer workload demands on the company.

Activity-based costing (ABC) is the method that will economically and accurately trace the consumption of an organization's resource expenses (e.g., salaries, supplies) to products and to the types and kinds of channels and customer segments that place varying degrees of workload demand on the company. It should no longer be acceptable not to have a rational system of assigning so-called nontraceable costs to their sources of origin. ABC is that system. Yet many companies still don't use it.

ABC Is a Multilevel Cost Reassignment Network

ABC uses multiple stages to trace and segment all the resource expenses as calculated costs through a network of cost assignments into the *final cost objects*: products, service lines, channels, and customers. It facilitates more accurate reporting because it honors costing's *causality principle*

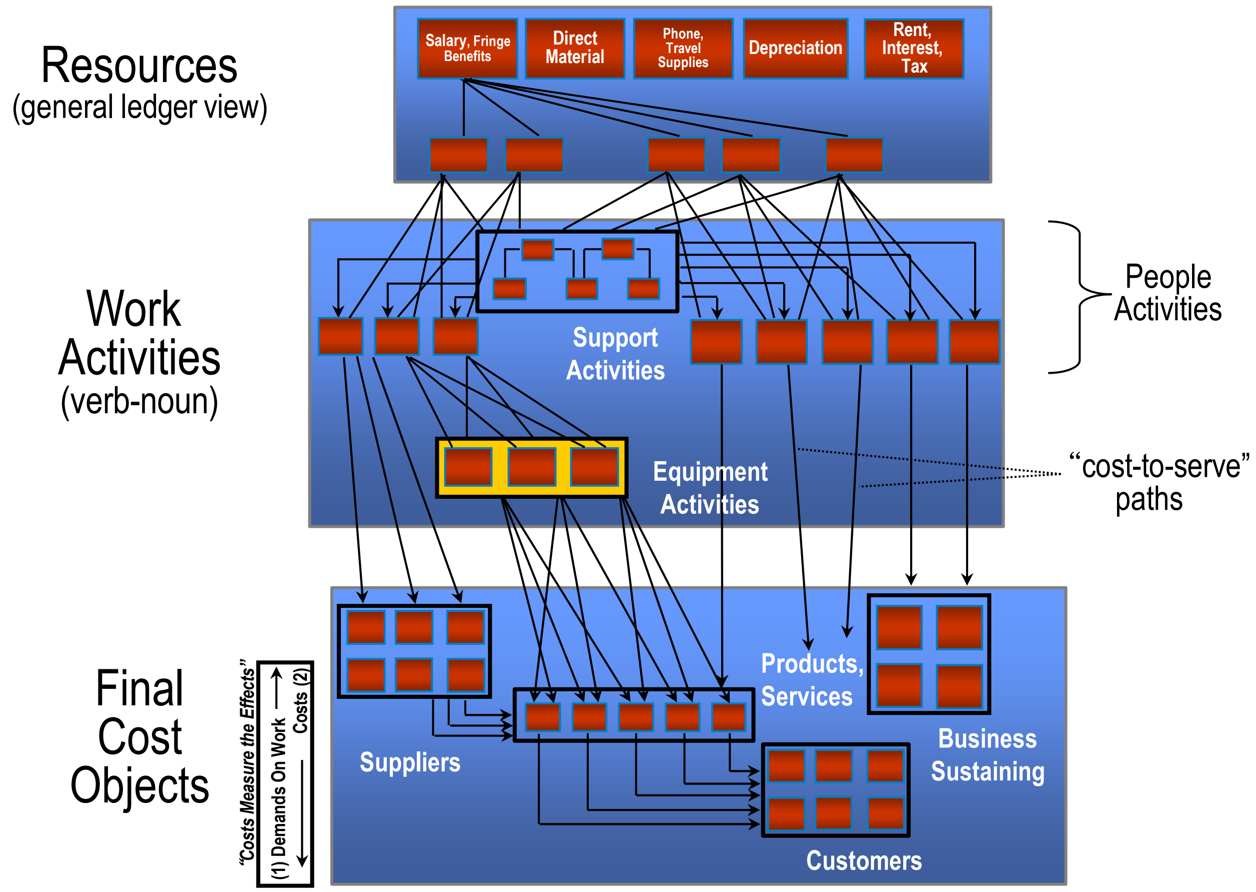
(i.e., the relationship between cause and effect) for expense consumption relationships.

In complex, support-intensive organizations, there can be a substantial chain of indirect work activities that occur prior to the direct ones that eventually trace into the *final cost objects*. These chains result in activity-to-activity cost assignments, and they rely on *intermediate* activity cost drivers traced to consuming activities in the same way that final cost objects rely on activity cost drivers to reassign costs into final cost objects based on their diversity and variation.

Turning indirect costs into direct costs is no longer as insurmountable a problem as it was in the past. Integrated ABC software allows *intermediate* direct costing to a local process or to an internal customer or required component that is causing the demand for work. It further allows tracing costs among the final cost objects. Resource and activity cost drivers reassign expenses into costs with a more local, granular work activity level than in traditional systems, such as the accountant's rigid cost center *stepdown cost allocation method* that reduces costing accuracy by relying on a single cost allocation factor for an entire support department.

ABC software is arterial in design, so it flows costs flexibly and proportionately. Eventually via this expense assignment and tracing network, ABC reassigns 100% of the resource expenses into the final accumulated costs of products, service lines, channels, customers, and business sustaining work. Visibility of costs is provided everywhere throughout the cost assignment network, including for how costs are "driven" by the activity cost drivers that comply with the cause-and-effect relationships. This visibility aids in identifying where to focus improvement efforts.

ABC/M Cost Assignment Network



 Analytics-Based Performance Management LLC 1

Examine the ABC cost assignment network in Figure 1 that consists of three modules connected by cost assignment paths. ABC provides a snapshot view of a time period’s costs (e.g., a month). Imagine the cost assignment paths as wide pipes and thin straws where the diameter of each path reflects the amount of cost flowing. The power of an ABC model is that the cost assignment paths and their destinations trace costs from beginning to end— from resource expenses to each type of customer (and optionally to each specific customer). Customers are the origin that results in the consumption of all of a supplier’s expenses and subsequent costs.

To understand why customers are the origin for costs, mentally reverse all the path arrowheads in Figure 1 from bottom to top. This polar-opposite switch reveals that all expenses originate with a demand-pull from customers— and the calculated costs simply measure the effect in the reverse direction.

Resources, at the top of the cost assignment network in Figure 1, provide the available capacity to perform work. Think of resource expenses as coming from the organization’s checkbook in the form of procurement purchases and employee payroll. Cash is exiting the treasury. Examples of resources are salaries, operating supplies, or electrical power. (Amortized cash outlays, such as for depreciation from a prior period, can also be modeled.) It’s during this step that “resource cost drivers” are identified and measured as the mechanism to convert resource expenses into activity costs. One basis for tracing or assigning resource expenses is the time (e.g., number of minutes) that people or equipment spend on performing work activities. A more popular basis is to use percentage splits of time from the resources totaling 100% among the work activities.

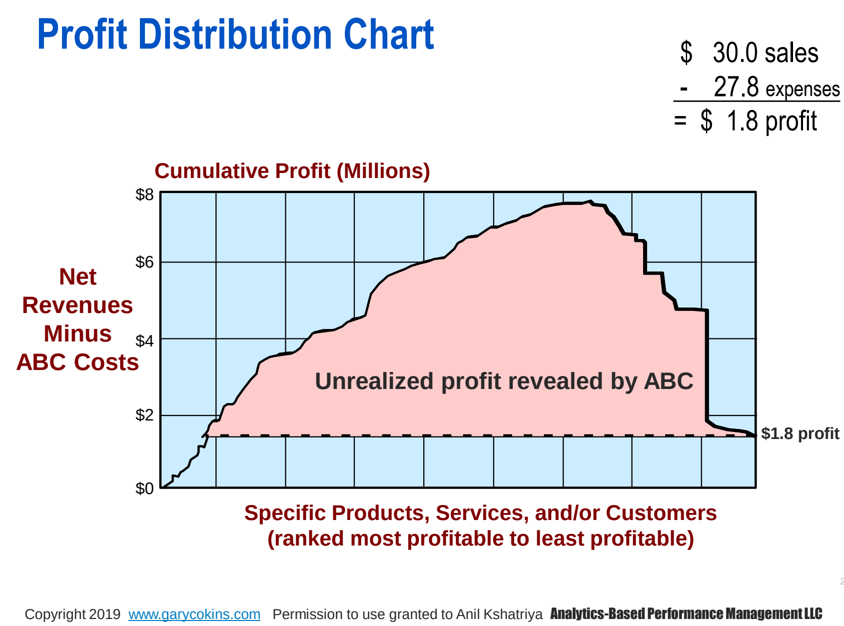
Work is performed by employees or assets, and resources are converted into some type of output in the work activities module. Activity cost drivers are the mechanism to accomplish this assignment. An example in a warehouse is the number of stocked items picked. In a bank, it’s the number of automobile loans processed. In a hospital, it’s the number of blood tests administered

A bonus from ABC is the unit-level cost consumption rates, which are useful for comparative benchmarking studies as well as for projecting future expenses and costs such as with rolling financial forecasts, what-if scenario analysis, and outsourcing decisions. (For the latter, "predictive accounting" entails a different aspect to management accounting involving the classification of resource capacity expenses as sunk, fixed, step-fixed, or variable relative to changes, and the classification depends on the time length planning horizon and type of decision. These concepts aren't discussed in this article, but they are important ones.)

Final cost objects, at the bottom of the cost assignment network, represent the broad variety of outputs and services where costs eventually accumulate. Customers are *the final-final cost objects*. They create the need for resource expenses to be supplied. Final cost objects can be thought of as "the what or for whom" that work activities are performed. In advanced costing models, balance sheet items, such as inventories or customer receivables, can be traced using "cost of capital drivers," such as a product's average inventory level or a customer's days' sales outstanding (DSO).

Some activities in an organization don't contribute directly to customer value, responsiveness, and quality. That doesn't mean those activities can be eliminated or even reduced without doing harm to the business. For example, preparing required regulatory reports certainly doesn't add to the value of any product or to the satisfaction of the customer. Yet that type of work activity is valuable to the organization because it enables the company to function in a proper legal manner. These types of activity costs are usually traced to a "sustaining cost object" group popularly called *business sustaining costs*. These business sustaining costs aren't involved with making or delivering a product or servicing a customer, but the costs do need to be covered with revenues for the total company bottom line profit.

The key to a good ABC system is the design and architecture of its cost assignment network. The "nodes" in the network are the sources and destinations through which all the expenses are reassigned via calculated costs. The network with its nodes delivers the utility and value of the data for decision making.



Beneath the Iceberg: Unrealized Profits

With a valid cost model, Figure 2 displays a graph line referred to as the "profit cliff" (and sometimes the "humpback whale" curve). This line is the cumulative buildup of each customer's profit. Customers are rank-ordered from the most profitable to the least profitable, including those who are unprofitable (i.e., customers with a financial loss where their costs exceed their revenues). The last data point reconciles exactly with the company's total profit and loss (P&L) statement.

The graph illustrates how a substantial amount of *unrealized profits* can be hidden because of inadequate existing (and traditional) cost allocation methods and incomplete costing below the product gross profit margin line. Managers usually believe that the curve would be relatively flat.

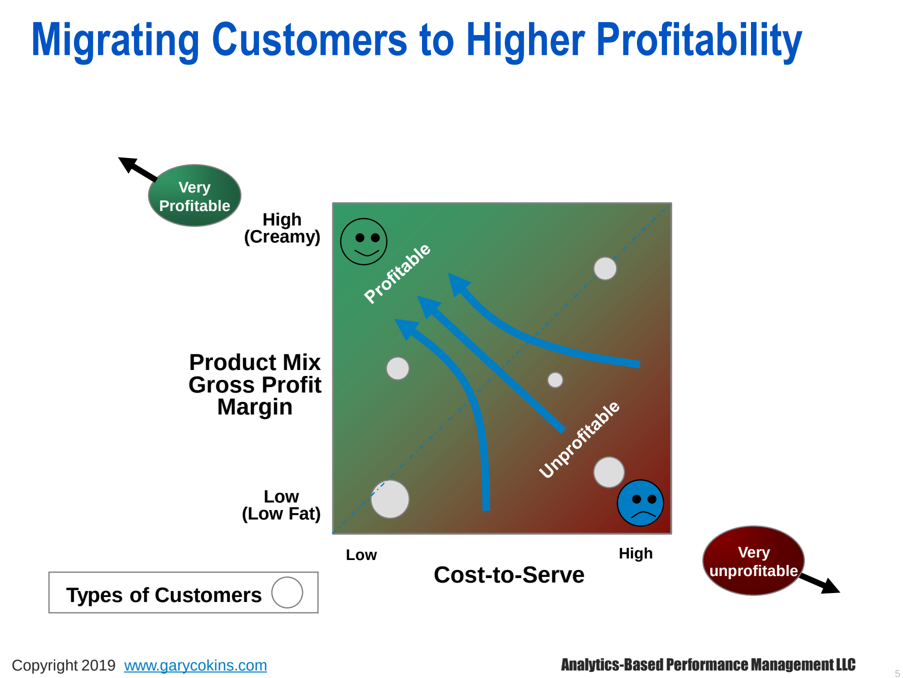
The broad averaging of traditional non-causal overhead cost allocations is crushing the cost accuracy and results in this flat-curve belief. ABC detects the unique variations of the final cost objects' consumption of the work activities and their related capacity-providing resource expenses. ABC information usually shocks executives and managers the first time they see it because they have typically presumed that almost all but a few of their customers are profitable. Instead, they have large profit makers and profit takers.

By using ABC, there can now be a valid P&L statement for *each* customer as well as for logical segments or groupings of similar types of customers. The shape of this graph is typical for most companies. From left to right, the graph line reveals the company earns a substantial amount of profit from a minority of customers, roughly breaks even on some, and then loses profits on the remainder.

Future Profit Potential Via Customer Lifetime Value (CLV)

For business-to-consumer (B2C) companies, such as banking and telecommunications, customers pass through life cycles. This means there's a difference between a currently profitable customer and a customer who may be more valuable in the future.

This difference shifts attention from the current run rate of past-period profit levels from their consumers to their future potential profit level. For B2C companies, accountants can calculate each customer's CLV before and after various marketing campaigns and targeted offers and deals. This provides sales and marketing the ability to apply return on investment (ROI) measures to evaluate which customers can achieve the highest profit increase from actions.



Migrating Customers to Higher Profitability

The crucial challenge is not to use ABC just to calculate valid customer profitability information from transactional data but to really *use* the information—and use it wisely. The benefit comes from identifying the profit-lift potential from customers and then realizing the potential with smart decisions and actions.

Figure 3 decomposes the ABC cost assignment network's final cost object module in Figure 1 with more granularity. It displays two layers of a "nested" consumption sequence of costs in the bottom final cost objects module. The metaphor for this consumption sequence is the predator food chain where large mammals eat small mammals and small mammals eat plants. The final-final cost object—the customer— ultimately consumes all the other final cost object costs except for the business sustaining costs.

Within each of the major final cost object categories (e.g., supplier, product/service line, and customer), each has its own type of "sustaining costs," which are also assignable to its end-product or end-customer using a cost object cost driver to reflect the diverse consumption relationship

The left-to-right sequence of the activity cost drivers creates profit margin layers like layers in an onion's skin. As a result, there can now be a valid P&L statement for each customer as well as logical segments or groupings of customers. Figure 4 is an example of an individual customer profitability statement.

ABC Customer Profit & Loss Statement

CUSTOMER: XYZ CORPORATION (CUSTOMER #1270)

Sales	**$$$**	**Margin $** (Sales - ΣCosts)	**Margin** % of Sales	
Product-Related				
Supplier-Related costs (TCO)	$ xxx	$ xxx	98%	Product-related costs
Direct Material	xxx	xxx	50%	
Brand Sustaining	xxx	xxx	48%	
Product Sustaining	xxx	xxx	46%	
Unit, Batch*	xxx	xxx	30%	
Distribution-Related				Channel & Customer-related costs
Outbound Freight Type*	xxx	xxx	28%	
Order Type*	xxx	xxx	26%	
Channel Type*	xxx	xxx	24%	
Customer-Related				
Customer-Sustaining	xxx	xxx	22%	
Unit-Batch*	xxx	xxx	10%	
Business Sustaining	xxx	xxx	8%	
Operating Profit		**xxx**	**8%**	

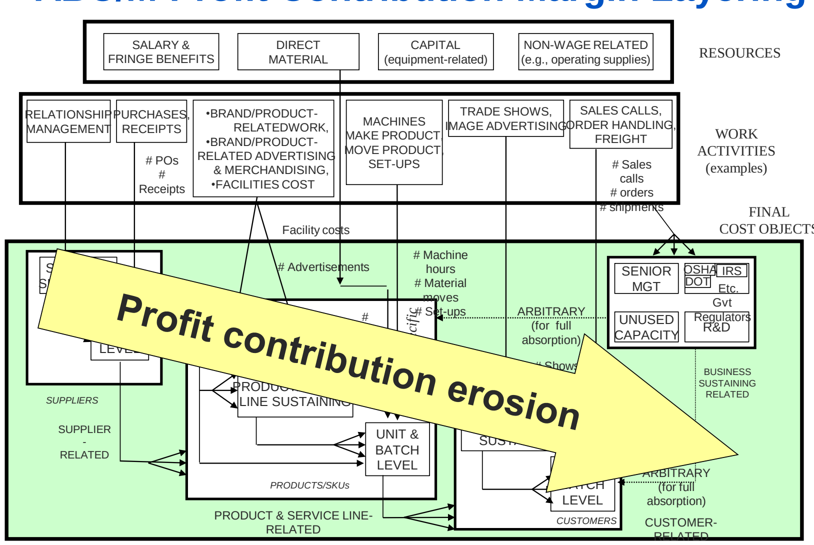
* Activity Cost Driver Assignments use measurable quantity volume of Activity Output (Other ActvityAssignments traced based on informed (subjective) %s)

 4

With an ABC P&L, managers can examine the individual products and service lines purchased in greater detail. They are a mix of high- and low-product-profit-margin purchases, based on their own unit costs and prices, as a composite average. Managers also can drill into details about the product-mix profit margins for more visibility. In addition, within each product or standard service line, the user can further examine the content and cost of the work activities and materials for each product and service line. This customer P&L information quantifies what many employees already may have suspected. All customers aren't the same with their profit levels excluding sales volume.

Although customer satisfaction and loyalty are important, a longer-term goal is to increase corporate profitability for the shareholders derived from increasing profits from customers as if each customer were an investment in a stock portfolio. Think that the purpose of actions taken is to increase the financial "return on customer (ROC)." There should always be a balance between managing the level of customer service to earn customer loyalty and the spending impact that doing that will have on shareholder wealth.

ABC/M Profit Contribution Margin Layering



 3

In any company's P&L there are two major "layers" of profit margin:

1. By the mix of products and service lines purchased.
2. By the "costs to serve" apart from the unique mix of products and service lines. (This is that "bottom half of the picture" I referred to earlier.)

Figure 5 combines these two layers as a two-axis grid: (1) the "composite product profit margin" of what each customer purchases (reflecting net prices to the customer) and (2) their *costs to serve*. Individual customers (or grouped cluster of customers with similar traits) are located at an intersection where the circle diameters reflect each customer's revenues. Figure 5 debunks the myth that customers with the highest sales volume are also generating the highest profits. The objective is to generate more profits from all customers regardless of their intersection location. This is represented by driving customers to the upper-left corner of the grid. Examples of actions that will do this are surcharge pricing, upselling, and cross-selling.

When analytics software is applied, finance and marketing teams together can determine "next-best-offer recommendations" based on a market basket analysis of product or service transactions. The analysis uses "association rules," which identifies items that frequently follow other items in transaction-based data. For example, if customers have purchased items A and B, they often also purchase item C. With that insight, companies can recommend offers to customers who have only purchased items A and B.

Note that migrating customers to the grid's upper-left corner is equivalent to moving individual data points in the "profit cliff" profile in Figure 2 from right to left. Knowing where customers are located on the matrix requires ABC data. A critical reason for knowing where each customer is located on the profit matrix is to protect the most profitable customers from competitors. Because so few customers typically account for a significant portion of the profits, the risk exposure from losing them is substantial. In Figure 2, the farther to the left side of the "profit cliff" profile distribution curve that the curve's peak is located, the more sensitive the bottom line corporate profit is to competitor attacks from winning a company's key customers.

Options to Raise the Profit Cliff Curve

What does a company do with the customer profit information? In other words, what actions can an organization take to increase profits from its customers?

Although this is only a partial list, a company can increase profitability by doing the following:

- Manage each customer's "costs to serve" to a lower level;
- Establish a surcharge for or reprice expensive "costs-to-serve" activities;
- Reduce services minimally valued by customers;
- Introduce new products and standard service lines;
- Raise prices (which may not be feasible in competitive markets);
- Abandon unprofitable products, services, or customers;
- Improve business processes with higher productivity;
- Offer the customer profit-positive service-level options;
- Increase costs on activities for which a customer shows a preference;
- Up-sell and cross-sell the customer's purchase mix toward richer, higher-margin products and service lines; or
- Discount to gain more volume with low "costs-to-serve" customers.

It's important for anyone interpreting the profit distribution diagram to understand the following key issues about it before acting hastily, which can result in bad decisions:

- This snapshot view of a time period's cost doesn't reflect the life-cycle costs of the products, service lines, or customers that have consumed the resource and activity costs for that particular time span. For example, a new product may be in its shake-out period with imminent cost reductions to it and low sales volume that will grow. In the next time period's snapshot, the product will move to the left of the "profit cliff."
- In some cases, some products deliberately are sold as a loss to generate higher sales of the more profitable products.

Expand the Function

- Much has been written about the increasing role of CFOs as strategic advisors and their shift from bean counter to bean grower. Now is the time for the CFO's accounting and finance function to expand beyond financial accounting, reporting, governance responsibilities, and cost control. They can support sales and marketing by helping them target the more attractive customers to retain, grow, and win back and to acquire the relatively more profitable and valuable ones.

Financial Planning & Analysis: CFO Mindset

CMA Dr Amarendra Kumar

Responsibility of F P & A Role is Similar like a CFO. Financial Analysts are also directed towards decision support and performance management activities. That's where financial KPIs — key performance indicators — come in picture.

We might be aware of responsibility Centers within an organization e.g. Profit center, Investment center. F P & A Professionals are responsible to manage Financial Performance of a responsibility center i.e. generally called a profit center or Investment Center (e.g. Account, Region, SBU, COE, and Corporate). This is as similar a responsible role of CFO managing Financial Performance of the Organization.

F P & A professionals generate value. No other function except general management has a full P&L scope like Finance. Sales professionals focus on the top-line. If anyone works in Operations or Procurement or any other cost centers their focus is on cost only, etc. Hence being able to put it all together and drive value creation where the potential is highest should be interesting is what F P & A professionals do.

- Do You Have A Finance Business Partner Mindset?

Why do we have brakes in the car? Most people would say to stop the car. That's a wrong mindset. We have brakes in the car so we can drive the car faster. It's a supporting device, not a controlling device. Similarly, in businesses we have controls to support the business performance and avoid or minimize damage. The role of finance is to maintain the brakes (controls) in superb condition and apply when required. Develop a supportive mindset and become a business partner

- Are You Providing Insight or Just Information

Accounting will limit you whether you did better or worse. Whether you should be happy or sad. But they don't give you the insight as to why," "FP&A gives that insight. It's much more important to understand why you're happy or sad," To be successful in the FP&A field, FAs have to have a certain level of intellectual curiosity to ask the questions about what's behind the numbers or the situation.

One of the biggest transformations in Modern finance recently, has been the shift for an Accountant to move from a compliance and governance based individual, to an insight driven value added business partner. They now Provide insights/analysis and executive summaries on key analytics and reporting. Finance needs to know what data is important, how to interpret that data, and then provide guidance on what it means for the business

Finance will also shift more into the role of storyteller, able to interpret data and communicate what it means back to other business stakeholders.

Next if we truly want to help someone become more successful themselves we must have an in-depth understanding of what business partners do. If we don't know anything about Sales how can we support a Sales Managers, if you don't know anything about Delivery how can we support a Delivery Manager? In essence, you need to at least know and understand what they do and ideally, we should also be good at it. If we don't develop this functional expertise it will be find hard to gain their trust and buy-in which is so crucial for being a finance business partner.

F P & A professionals are partners of business. They collaborate with Business and they speak to business. They have collaborative plans / actions taken on P/L Improvements -implement joint cost reduction ideas with Business Partners, focus how to improve operational efficiency, They Try to participate with Business in Growth- Sales Pipeline discussion to drive sales Growth, Understand the Sales funnel, they look at the sales opportunities, New Sales and also participate with Deal pricing team / Solution consultants. Wherever they look at possibilities to find means and ways to create value within the business, they join them and help the business to deliver value creating growth. They develop a big picture mindset and deeply understand the value creation model of the business. And also the increasingly important thing is communicating value (Story tellers / Effective Communications). The important is how do F P & A Professionals communicate value to stakeholders; Stakeholders are increasing anywhere by any numbers , today business are live 24/7 anywhere in the world , so this kind of frequency of demands on the way .

If we want to be successful finance business partners then acquiring business knowledge is very essential. Not just general business knowledge but some time deep functional expertise in the area we support. FP&A teams need to be "bilingual" — that is, "speaking both the language of accounting and finance, and the language of the business operations." we need to develop understanding of Business and delivery model. Product / Services consume the cost as well generate revenue, so our understanding on Product / Services will help us to manage the cost effectively and drive revenue growth. Once we develop the understanding the Kind of Services or Products our company offers then we could be easy to identify Cost driver that will help us to manage the cost effectively.

The most fundamental difference between accounting and FP&A professionals is that accountants, "are concerned with detail, accuracy and being right." However, "as soon as we start looking forward, detail becomes less important.

We have to focus on Big Picture. Deciding what material is. Not too small to care sometimes too small to care "As you work into FP&A, it's more about identifying opportunities than reporting what happened," You need to understand the business drivers and care less about decimal point. Your true value is aligning yourself with the business perspective. Historically, accountants have been focused on getting the numbers right versus driving insight, whereas FP&A is less about the results and more about understanding the drivers of the business both historically and prospectively. We should develop ability to see the big picture and focus on areas that create value.

Business are particularly interested in those FAs who are able to articulate a strategic vision, who can articulate what the future might look like, and who are great at seeing around corners. We offer strategic support to an organization. We are often pressured to drive cost efficiencies while identifying new business opportunities, and ensure that plans are aligned and executed in accordance to business Management strategy. In a changing business condition we have to think beyond numbers.

The sales team is responsible for revenue and the CFO is responsible for everything else… Right? That's the common misconception among the financial Team. The financial function needs to be more involved in sales than they are right now. Cutting costs does not equal success. Focusing on only cutting costs is a very short-term strategy. If your organization is a going concern you want a long-term strategy which includes cutting the right costs as well as revenue growth, improved margins and ultimately profitability.

We need to be change agent or develop skills and have patience to manage organizational change, System change, Technological change, Process change, We are at age of disruption. We are under more undiscovered threats than any time in the past. You do not have the luxury of waiting for a disruption to arrive before reacting. You need to have a befitting response ready even before a disruption arrives on your horizon. To respond effectively, it's critical that FA not only keep current with a range of rapidly evolving technology and business trends but, as important, ensure that they have the skills required to provide to manage effective otherwise survival is difficult.

PROGRAM DETAILS:

ISMA (Indian Society of Management Accountants) Chennai Chapter invites you for "Knowledge Sharing Event" on:

"Opportunities for Management Accountants in Insolvency Resolution"

SPEAKER

CMA Ms. Rajalakshmi will be the main speaker for this event.

She is a Cost and Management Accountant passed CMA in 1996, Qualified Insolvency Resolution Professional, and Qualified Registered Valuer.

She is a seasoned Finance Professional having more than 20 plus years of experience in Finance, Accounting, Cost & Management Accounting.

WHO SHOULD ATTEND

Cost and Management Accountant who are desirous to get an insight on Application and practice of Insolvency Resolution Process.

Date: Friday 23rd August 2019
Time: 10.00am – 11:00am (Morning)- with Tea Break
Venue: Horzon Global Education Centre, Hardevi Chambers, 1st, Floor, Montieh Road, Egmore, Chennai

Please confirm your presence on or before 15 Aug2019
Contact Detail: 9962496298

Moderator of Event:

CMA Ramji Mahadevan
(Chairman, Chennai Chapter of ISMA)

Visit us at www.cmaonline.in

Indian Society of Management Accountants

Invites you for Practical Session on

FILING OF GST RETURN AND ITR-3

Date: 10th August, 2019
Time: 2 pm – 6 pm
Place: Indirapuram
Organised by: CMA Kalyani Karna (Joint Secretary, ISMA)
Visit us at: www.cmaonline.in

Career awareness program conducted for CMA final students on GST registration, filing of ITR 1 and ITR 2.

Thought leadership-*be ready for bigger playground!*

CMA KALYANI KARNA

"Think big, think fast, think ahead. Ideas are no one's monopoly"-Dhirubhai Ambani

INTRODUCTION:

"Mann ke Haare haar hai, mann ke jeete jeet". It is the mind which wins and defeats. Leaders accept it, affirm and assume to be the winner in every situation and they lead. Thought leadership implies to be the leader with eminent and affirmative thoughts. It is not a corporate buzz rather an admirable ambition to cut the noise and play meaningful music in corporate world and to be the leader. The thought leader might be an individual, firm and association. This article outlines the concept of thought leadership, steps, benefits, and fiscal incentives under start up India programme that can promote thought leadership and can provide bigger playground for budding and existing entrepreneurs.

DEFINITION OF THOUGHT LEADERSHIP

Thought leadership is the development and dissemination of ideas resulting advantages for the business. It can be applied by professionals, consultants, organisations, and marketers in their fields. Thought leadership has been resounding silence and organisations have been maintaining minor conspiracy on it. Some organisations discuss the application of thought leadership internally while others express it implicitly. But smart organisations are pre-occupied with investing serious amount in mysterious practices. It replicates best answer to the customers. It defines the challenges faced by customers and provides the best way to overcome the problems.

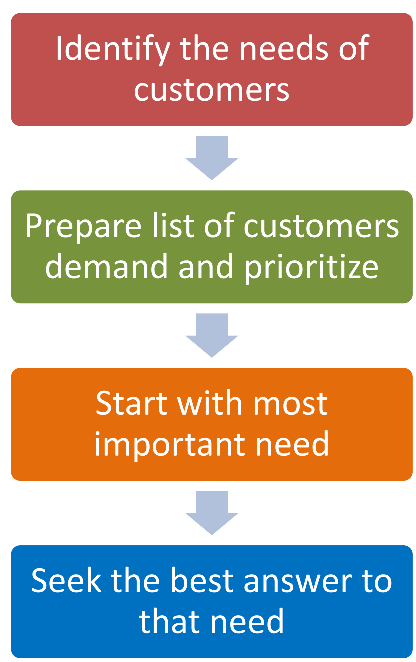
Thought Leadership can originate from executives of firm, and even from the customers. Thought leaders are capable to change the world and give new means to business and life. They are able to make the revolution and evolution of technological advancements. There is no requisite qualification to be a thought leader. Thought leadership is inevitable for both Business to Consumer (B2C) and B2B (Business-to-Business) companies. But it plays important role in B2B (Business-to-Business).

Differentiation is one of the marketing strategies. Firms with craving for growth always try to differentiate their products and services with new ideas, thoughts, and strategies. They try to address the problems of customers with their innovative ideas. This leads to the emergence of thought leadership. Thought leadership is new management practice and like management it is both art and science. Thought leadership is programmatic approach to define and execute new ideas and provide solutions to customers.

STEPS OF THOUGHT LEADERSHIP:

Thought leadership is indigenous for individual and firm. Hence, the steps for the application of thought leadership cannot be predefined and refined for every firm. It might differ under different circumstances and nature of organisation. However, the basic outlier for the steps of thought leadership is as follows:

Figure 1: Steps of thought leadership



A thought leader recognizes trends and opportunities and applies the strategies to achieve results. Thought leadership cannot be created by reading an article, social media post or networking with people. It is based on experiences and an outcome of thinking process.

THOUGHT LEADERSHIP PRINCIPLES:

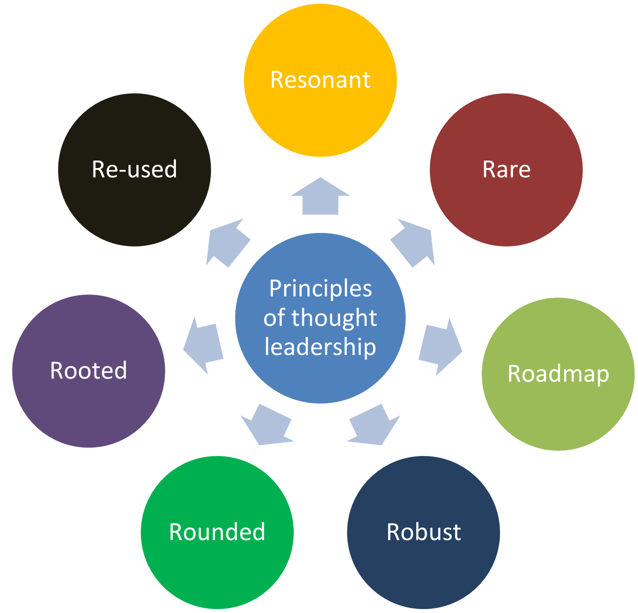
The ideas and plan of action under thought leadership can be made more effective after following the principle of seven R's. These seven R's are as follows:

Resonant: The new idea and strategies should be resonant with the priorities and needs of customers. It should be able to meet their requirements and demand. Thought leadership can be monetized after addressing the problems of customers. Market surveys and customer feedback can be helpful for generating new ideas.

Rare: Identify market and competitors in that area. Examine the published data and strategies adopted by the competitors to gain market share. The examination of strategies of competitors will help to identify the area which can be explored. The area selected for the exploitation by the thought leader will be rare.

Roadmap: The strategies designed under thought leadership should provide a road map to the firm. It should guide the activities and steps to be taken. The actions cannot be monetised without clear road map. Hence, the ideas under thought leadership should provide roadmap to the leader or firm.

Figure 2: Principles of thought leadership



Robust: Today, the readers expect real substance that should cater their demands. The robust plan should be made to handle B2B audiences. These customers are research savvy so the reliable, representative and robust piece of work will enable the firm to monetize the strategies.

Rounded: The content of the thought leadership should facilitate the firm to take action. The content of the plan of action should be smooth and rounded so as to facilitate the actions to be taken by the firm.

Rooted: The ideas developed under thought leadership programme should be deep rooted so as to strengthen the brand. It should allow the customers to go to anywhere and they should come back to the brand due to the speciality of the product or service.

Re-used: The investments made under the action plan of thought leadership programme should be made to get reinvested in the business.

BENEFITS OF THOUGHT LEADERSHIP:

The advantages of thought leadership are not bound by words. There can be enormous advantages of thought leadership as thoughts are flawless, fearless, and limitless. However, some of the advantages of thought leadership are as follows:

- Thought leadership makes the company or though leader to stand apart from others. Doing something different and in different way create a special niche for the thought leader.
- It helps to showcase the talent of thought leader and the competitive advantages of the firm over others thereby enabling the firm to monetize the competitive advantages.
- It helps to improve the relationship with customers.
- The survey of 200 executives at FTSE 350 organisations revealed that thought leadership enabled them to stay ahead and to make better decisions.
- It helps to increase value and growth of business. IBM as a thought leader launched smarter planet campaign and it helped to increase the brand value by 20 percent and stock price by 64 percent.
- New ideas and virgin thoughts prove to be saviour in dire economic situations. Thought leadership helps to find out different business opportunities.
- The performances of thought leaders surpass the average workers. They work harder than the average people as they are driven by passion to do something better than others.
- Thought leadership generates innovations leading to better products and services.
- Thought leadership increases profitability in two dimensions, one by increasing profits with better quality of product and services and another by fostering the efficiency of business.
- It can be advantageous to the firm for the reinforcement of brand and breaks the blue oceans. Thought leadership helps to attain the competitive advantages with product or services differentiation.

TOP 20 CORPORATE THOUGHT LEADERS IN INDIA:

BRIC index of top 20 corporate thought leaders has been published in the year 2011. Out of these 20 corporate thought leaders 16 were indigenous Indian companies. The research was conducted by Globe Scan. The list of twenty corporate leaders is as follows:

BRIC Index of thought leaders			
1	Infosys Technology	11	Hero-Honda Motors
2	Tata Group	12	Life Insurance Corporation
3	Google India	13	Bharti Airtel Limited
4	Maruti Suzuki	14	ONGC
5	Larsen & Toubro	15	Aditya Birla group
6	Nokia	16	Oberoi group
7	State Bank of India	17	HDFC Bank
8	Facebook	18	Dr. Reddy's Laboratories
9	Hindustan Unilever	19	Ranbaxy Laboratories
10	Mahindra	20	Hyundai Motor India Limited

START-UP INDIA-BOON FOR THOUGHT LEADERS:

India stands at third position for start up businesses following United States and Britain. There are approximately 4,400 start ups which are expected to increase over 12,000 by 2020. Government of India has come up with array of schemes to encourage and promote start ups in India. Government of India has taken several initiatives under start up India to promote the research and entrepreneurship in India. These schemes will encourage and help research institutions and entrepreneurs to come up as thought leaders and enable them to translate dreams into reality.

Schemes	Features
Extra Mural Research funding	The grant under extra mural research funding covers equipment, consumables, contingency, overhead and travels. The budget limit has not been prescribed and it will be decided as per the requirement. The time period of the funding is three years.
High risk high reward research	This scheme is applicable to Indian citizen holding regular academic or research position in recognised institution or group of investigators. It covers expenses for equipments, consumables, overhead, contingencies, and travels. The budget has not been prescribed.
Industry relevant R&D	The grant under this scheme is available to Indian citizen holding regular academic or research position in academic institution and national laboratories, covering R&D institutions. The grant has been capped at INR 50 lakhs.
Assistance to professional bodies and seminars	The grant is provided to research institutions, universities, medical, engineering and other academic institutions. The grant covers pre-operative expenses, and travelling expenses abroad to Indian scientists for research purpose.
Ayurvedic biology program	The grant under this scheme is available for research institutes, universities, medical and engineering and other academic institutions engaged in research activities related to chemicals, healthcare, nanotechnology and life sciences.

Technology development programme	The grant is available for scientists, engineers, technologists, societies, research institutions, and laboratories engaged in technology development and prototype building.
Software technology park scheme	The incentive under this scheme is available for sales of 50 percent of FOB value of exports and depreciation on computers will be at accelerated rate of 100 percent over 5 years.
Multiplier Grant scheme	The incentive is available up to INR 2 crore per project (it is INR 4 crore for three years for industry consortium) is available. The duration of the project should be less than two years.
Support for international patent protection in electronics and information technology (SIP-EIT)	Fiscal incentive up to INR 15 lakh per invention or 50 percent of total expenses of patent whichever is less will be provided under this scheme.
Modified Special Incentive Package scheme (M-SIP)	It provides capital subsidy of 20% in SEZ (25% in non SEZ) for electronics manufacturing.
Electronic development fund policy	Under this policy companies will get risk capital from Daughter's fund established by EDF.
Performance and credit rating scheme	The fiscal incentives will be provided to MSMEs in proportion to their turnover.
Bank credit facilitation	
Raw material assistance	MSMEs will be enabled to avail the economies of purchases like cash discount and bulk purchases.
Infrastructure development scheme	It provides infrastructure as office space of area 467 square feet to 8,657 square feet against the security deposit of six month's rent.
Revamped scheme of fund for regeneration of traditional	The fiscal incentive up to INR 8 crore is available to support soft, hard and thematic interventions.
ASPIRE	This is the scheme for promoting innovation and entrepreneurship in agro industry. The financial assistance will be provided according to the nature of incubator.
Pradhan Mantri Mudra Yojna	MUDRA provides refinancing support to banks and financial institutions lending to micro units with loan requirement of INR 10 lakhs. The incentive is available under three plans, Shishu, Kishore, and Tarun.
Stand up India	Stand up India facilitates bank loans between INR 10 lakhs to INR 1 crore to borrowers among which one must be scheduled caste, tribe or women borrower for setting up Greenfield enterprise.
Udaan	This is the employment oriented training programme for unemployed youth in Jammu and Kashmir.
Dairy entrepreneurship Development scheme	This scheme aims to bring structural changes in processing of milk and up-gradations of traditional technology to handle milk on commercial scale.

Promoting innovations in individuals, start ups and MSMEs (PRISM)	PRISM provides grants, technical assistance and mentor individual innovators by incubating their ideas towards the creation of new enterprises. The grant is provided under three stages.
Industry innovation programme on medical	This scheme is available for start ups in the field of health care and life science and it aims to promote technological advancements in the field of medical electronics.
Credit guarantee	Under this scheme term loan or working capital loan up to INR 100 lakh per borrowing unit will be provided.
SPARSH	SPARH is available to Indian academic scientists, researchers, PhDs, biomedical, and medical degree holders. This scheme is also available for biotechnology start ups, and limited liability partnerships engaged in the field of research of health care and life sciences. The grant has been capped to INR 50 lakhs.

Source: Ministry of Commerce and Industry

CONCLUSION:

Thought leadership is an objective rather than being subjective. The ideas vary from person to person and company to company. The concept of thought leadership is more generic. The one who leads in thoughts will be defined as thought leader. Thought leader can be a company, an individual, stakeholder of company, peers, and any other. It leads to innovations and germination of new ideas and thoughts. And, the innovation and culmination of new ideas will translate into increased profits and it will provide better products and services to the society. Thought leadership has been also encouraged by the government of India in the form of start up India. Come up budding thought leaders of India and grab the benefits from the schemes of start up India and help to make better India and brighter India!

References:

www.startupindiahub.org.in / www.circle-research.com / www.forbes.com / www.aepartners.fi / www.inc42.com / www.thoughtleadershipab.com / www.imagebox.com