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RETURN ON TALENT: Creating Value Through Motivation

How Adoption of IFRS Will Impact IT Systems in Nigeria

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Editor's Note

The challenge of finding the right calibre of staff for businesses is getting more serious and competitive by the day. Talent, as many have come to appreciate over time, is as much critical to the future as it is to the present. Quite a number of successful businesses have acknowledged that access to talents and key skills is most critical in enabling them compete effectively or maintain their cutting edge. When you have the right people to deliver your strategy and create growth, success pitches its tent with you.

The search for the right people and building of skilled workforce will no doubt gain momentum in the near future and will take more concerted effort because of its all-important role in driving success in business. Not only that, retaining the loyalty of such a winning workforce will equally require a lot of effort. Suffice to say then that if the necessary talent is not available in sufficient quantity in the years ahead, the next generation will be in the grip of a clique of powerful employees who dictate their terms of engagement and the way they do their work because of the high demand for them.

According to the author of our lead article entitled "Return on Talent: Creating Value through Motivation", Ayotunde Yoloye, the old order is changing and innovation is the order of the day in business. To remain relevant, organizations would need to anticipate the direction towards which business is tending and become proactive in harnessing available and appropriate talent. It's all about balancing the short term pressures with long term objectives creatively. It's not an easy task, but it's one task that must be done.

CBN recently introduced a cashless policy which aims at reducing the volume of cash in circulation and encouraging electronic transactions. It stipulates charges on daily cash withdrawals or cash deposits exceeding N500,000 for Individuals and N3,000,000 for corporate bodies. Read about it also in this edition.

Your comments and contributions are welcome. Please write to: corporateaffairs@ican.org.ng; or daajigbotosho@ican.org.ng; daajigbotosho@ican.org.ng.

Ojaide Tasks Government on Erosion Control

The 47th President of the Institute of Chartered Accountant of Nigeria(ICAN), Professor Francis Ojaide has called on Edo state government to expedite action to arrest the situation of gully erosion ravaging Usogun area of Zongo lane, off Union Bank road, Auchi.

Ojaide made the call on Saturday, 10th December, 2011 during his visit to Edo state where he attended the 19th Convocation ceremony of his Alma Mata, Auchi Polytechnic, Auchi.

The Chairman of Auchi District society of ICAN, Mr. O.A. Odion who conducted Ojaide round the erosion area, had earlier explained that lives and property had been destroyed by the gully erosion, despite billions of naira expended on the area to prevent the erosion from spreading to the express road.

Meanwhile, the Okuokphellagbe of Okphella Kingdom, Edo State, His Royal Highness Alhaji. A. Y. E. Dirisu has extolled the virtues of ICAN, describing it as the foremost professional body in the country. The monarch stated this in his palace when the ICAN President, Professor Ojaide visited him. He described Ojaide as a first class product of Auchi Polytechnic, who was also the first to become a Chartered Accountant and a Professor.

The Okuokphellagbe of Okphella Kingdom, HRH (Dr) A.Y. E. Dirisu embracing Professor Francis Ojaide while Mr John Evbodaghe watches with admiration, during ICAN visit to the palace.

Responding, Ojaide expressed gratitude to the traditional ruler for his support to the activities of the Institute within Edo state. He promised that the mutual relationship that existing between the Institute and traditional rulers will continue to blossom.

Practice Firms Should Register with Financial Reporting Council - Ojaide

The President of ICAN, Professor Francis Ojaide has said that all Practice Firms of Accounting should register with Financial Reporting Council in Nigeria.

Ojaide, who was represented by the Vice President, Mr. Doyin Owolabi stated this at the 2012 edition of Forum of Firms organized by the Audit, Investigations and Forensic Accounting Faculty of the Institute.

In his keynote address at the forum entitled "The Implication of the Financial Reporting Council Act 2011 for the Accountancy Profession in Nigeria", the President said that as a key player in the financial reporting process, the Institute is proud to have contributed immensely to the processes that led to the enactment of the Financial Reporting Council (FRC) of Nigeria Act No. 6 of 2011.

He explained that the experiment started with the establishment the Nigerian Accounting Standards Board in 1982, as its forerunner, noting that the new Act has made it mandatory for all practice firms to register with the Financial Reporting Council of Nigeria. He stated that the exercise will assist in monitoring the activities of members and others that are involved in financial reporting.

The Executive Secretary/Chief Executive of Financial Reporting Council of Nigeria, Mr. Jim Obazee and Mrs. Toyin Gbagi of KPMG Professional Services delivered the first and second technical papers on "The Implication of the Financial Reporting Council Act 2011 for the

ICAN Vice President, Mr Doyin Owolabi presenting an Award to the pioneer Chairman of Audit, Investigations and Forensic Accounting Faculty, Mr Olusegun Odubona.

Accountancy Profession in Nigeria – A Regulator's Perspective and The Implication of the Financial Reporting Council Act 2011 for the Accountancy Profession in Nigeria – A Practitioner's Perspective", respectively. The Chairman Board of Audit, Investigations and Forensic Accounting Faculty, Mr. F. B. Medessou delivered the welcome remarks.

Why Our Political Office Holders don't have Problem with EFCC, ICPC –Bakassi Ruler

The Chairman of Cross Rivers Traditional Council and the paramount ruler of Bakassi, HRM Etinyi (Dr.) Etim Okon Edet has said that political office holders in the state do not appear before agencies investigating crime and corruption such as the Economy and Financial Crime Commission (EFCC) and the Independent Corrupt Practices Commission (ICPC), due to the efforts of Chartered Accountants in the State.

The traditional ruler made the declaration in Calabar when the 47th President of the Institute of Chartered Accountants of Nigeria, Prof. Francis Ojaide paid him courtesy visit in his palace. He said that the role of Chartered Accountants is well known over the years, stating that there is a standard in Cross River that ensures that only qualified Chartered Accountants are picked to head the office of Accountant General, Auditor General and other financial positions in the State.

His words: "the role of Chartered Accountants is well known over the years, and they are doing very well here in Cross Rivers state. Through their efforts in being prudent and showing credibility, political office holders do not appear before EFCC and ICPC".

Commending the Institute for grooming men and women of integrity, the traditional ruler requested that the Institute's Annual Accountants' Conference and other major events be held in Calabar as the people of the city have the capacity to hold such events.

Meanwhile, the ICAN President has eulogized the process of setting and marking of the Institute's examinations, describing it as being of high standard.

This declaration was made during a live broadcast programme on the Cross River State Broadcasting Corporation. Prof Ojaide who was on a presidential tour to Calabar society and districts in Cross River explained that it is hardwork and determination that enable anyone to pass the professional examinations which is set and marked by examiners and verifiers not known to the candidates. This way credibility is sustained.

On the efforts of the Institute in nation building, the President made reference to the recent crises concerning the removal of fuel subsidy, saying the Institute issued a press release that contained the KMPG Audited Report calling for investigation on the issue.

Akwa Ibom State Pledges Support for ICAN Study Centre

The Head of Akwa Ibom State Civil Service, Mrs. Cecilia Udo Essien has promised to give support to the building of a Study Centre in the State.

She gave this assurance in her office while playing host to the 47th President of ICAN, Professor Francis Ojaide who paid her a courtesy visit.

Professor Ojaide who was on a Presidential tour of Uyo District and Society had earlier solicited the state government's support on the Study Centre being planned by the District. The Study Centre that would be sited at Uyo would help in raising more Chartered Accountants in the state.

The ICAN President also requested that more Chartered Accountants be employed in the Akwa Ibom civil service because they are diligent workers who are guided by the ethics of the profession.

While expressing confidence in ICAN members, he reiterated that any member found wanting, is reported to the Institute's Disciplinary Tribunal whose judgment is equivalent to that of a high court.

In her response, Mrs. Essien promised to assist in ensuring that more chartered accountants are employed, she also assured the President that she would intercede for the district before the State Government, to acquire plots of land for the district secretariat.

Similarly, the ICAN President has stated that the cashless economy reform by the Central Bank is a welcome development as it would go a long way in national development. He said this during an interactive session at the Akwa Ibom Broadcasting House, Uyo.

He said that cashless economy would curb corruption as well as eradicate arm robbery as robbers would not go about robbing people when they realise they are not carrying so much cash. He also said that international business relationship would be improved.

ICAN President, Professor Francis Ojaide presenting gifts to Akwa Ibom State Head of Civil Service, Mrs Cecilia Udo Essien during Ojaide's visit to Akwa Ibom.

Govt. Appoints ICAN Members to Petroleum Revenue Special Task Force

Two members of the Institute, Mr. Steve Oronsanye who was the former Head of Service of the Federation and Pastor Ituah Ighodalo, Principal Partner at SIAO, were part of the 20-member Petroleum Revenue Special Taskforce inaugurated by the federal government to enhance probity and accountability in the operations of the petroleum industry.

The Minister of Petroleum Resources, Mrs. Diezani Alison-Madueke on Wednesday, February 8, 2012 set up the 20-member taskforce.

Other members of the taskforce include Mallam Abba Kyari; Ms Benedicta Molokwu; Mr. Supo Sasore; Mr. Tony Idigbe; Mr. Anthony George-Ikoli; Dr Omolara Akanji and Mr Olisa Agbakoba; Mr. Bon Otti; Mallam Samaila Zubairu; Mr. Ignatius Adegunle; and Mr. Gerald Ilukwe.

It would be recalled that the 47th President of the Institute, Prof. Francis Ojaide issued a press release on January 13, 2012 entitled, "ICAN'S STATEMENT ON REMOVAL OF SUBSIDY ON FUEL BY THE FEDERAL GOVERNMENT" in which he urged the Federal Government to temporarily suspend the removal of fuel subsidy to allow for meaningful dialogue with organised labour.

Prior to ICAN statement, the Federal Government on January 1, 2012 announced the removal of oil subsidy, thereby raising the fuel pump price from N65 per litre to N140.50. As a result, the organised labour union and other civil right groups embarked on a nationwide strike which lasted for six working days.

Meanwhile, in line with the Institute's recommendation, the Federal Government has set up a panel headed by Hon. Lawan Farouk to probe into the amount paid on fuel subsidy by the Federal Government to petroleum marketers following the alleged ambiguity in the process. The panel is also to probe the huge disparity in the amount of money paid to subsidize petrol in 2006 and 2011.

Ojaide Lauds Members on Integrity

The Institute's President, Professor Francis Ojaide has lauded members of the Institute on how they have been living up to expectation as far as the motto of the Institute-Accuracy and Integrity is concerned.

Ojaide made the commendation at the Lagos & District Society of the Institute on Tuesday, February 14, 2012 when the District played host to him.

During the interactive sessions with members, Ojaide was indeed elated to note that at the United Bank for Africa (UBA), over 300 Chartered Accountants were employed and 4 out of its 8 Executive Directors are Fellows of the Institute. Also in ExxonMobil, 94 members are currently employed which include 26 fellows and 68 Associates. At the First Bank Plc, there were about 500 staff who are members of the Institute.

At the aforementioned organizations, so much was said about the value-laden services these members are providing to their organizations.

"I am pleased to note that you've all embraced the principle of accuracy and integrity in the discharge of your duties. I also advised that accuracy and integrity which also means "flawless execution" in ExxonMobil should continue to be the guiding principle to all members as they discharge their duties," he stated.

Kogi State Institutions to be Accredited by ICAN

The Permanent Secretary, Ministry of Education, Kogi State, Elder John Frank Onoja has given assurance that all necessary assistance to ensure that tertiary institutions in Kogi State are fully accredited by the Institute of Chartered Accountants of Nigeria (ICAN).

Onoja gave the promise in Lokoja during the visit of the 47th President of ICAN, Prof. Francis Ojaide to his office on December 12, 2012.

Ojaide who was on a presidential courtesy visit to the state commends the Ministry for ensuring that the institutions in the state meet up with the national educational standards.

He requested that the Permanent Secretary should ensure that the various institutions employ chartered accountants because of their value laden services. He also stressed the importance of placement of chartered accountants in relevant levels in the civil service as well as sponsorship to ICAN programmes such as conferences, MCPE, seminars, symposium etc. This, he said will avail the members the opportunity to develop their technical skill as well as have the opportunity to interact with other professional colleagues from various walks of life.

CBN Introduces Cashless Policy

The recently introduced cashless economic policy by the Central Bank of Nigeria (CBN) has commenced in earnest, using Lagos state for the pilot scheme. According to CBN, the new cashless policy would reduce corruption in the country and build confidence in the banking sector. It explained further that Nigeria could not shy away from this policy in her quest to become one of the best 20 economies in the world in 2020.

Thressed that cashless policy would restore confidence among traders in both local and international market because people could then stay in their homes and order goods without actual cash payment. At the point of delivery, a code would be requested and upon production, the goods would be delivered.

The new policy, CBN expatiated would help to reduce incessant cases of armed robberies as people in possession of physical cash were mainly their victims. The CBN Governor, Sanusi Lamido Sanusi, therefore called on Nigerians, particularly the policy makers in the country, to desist from carrying large amount of money around in order to achieve the Vision 2020 agenda of the federal government.

Before the commencement of the pilot phase of the policy in Lagos on January 1, 2012, the CBN carried out an enlightenment campaign tagged, “Towards Cashless Lagos”. The sensitisation campaign was taken to strategic markets in Lagos where market women and men expressed readiness to comply.

However, the policy, notwithstanding divergent views from analysts that cashless economy might not achieve certain objectives since over 45 per cent of Nigerians operated in the informal sector, is gradually gaining ground in Lagos. For instance, many bank customers have started adjusting to the new system following constant enlightenment by banks on the options available to them. Such options include the use of Automated Te apex bank steller Machines (ATMs), Internet banking, Mobile money and Point of Sale (PoS) terminals.

Content of the Cashless Policy

The following aspects of the policy shall apply from January 1st 2012 in Lagos State (“tagged Cash-less Lagos”):

- Only CIT (Cash-in-Transit) licensed companies shall be allowed to provide cash pick-up services. Banks will cease cash in transit lodgment services rendered to merchant-customers in Lagos State from December 31st 2011. Any Bank that continues to offer cash in transit lodgment services to merchants shall be sanctioned.
- 3rd party cheques above N150,000 shall not be eligible for encashment over the counter. Value for such cheques shall be received through the clearing house.

The service charges/fees will not apply until March 30th 2012, in order to give people time to migrate to electronic channels and experience the infrastructure that has been put in place. Therefore, banks should continue to encourage their customers to migrate to available electronic channels, and where possible demonstrate the costs that will accrue to those that continue to transact high volumes of cash from March 30th, 2012 in Lagos State.

In addition, below are some detailed context and pertinent clarifications on the policy:

- **Location**
  — The pilot shall be run in Lagos State.
- **Account Application**
  — The cash-policy applies to all accounts, including COLLECTION accounts. Banks should therefore work with their corporate customers to arrange for suitable e-collection options.
- **Limits**
  — The limits are cumulative daily limits each for withdrawal, and for deposits (e.g. for Individuals, the daily free withdrawal limit is N150,000; while the daily free deposit limit is N150,000).

  — The limits apply to the account so far as it involves cash, irrespective of channel (e.g. over the counter, ATM, 3rd party cheques cashed over the counter, etc) in which cash is withdrawn or deposited (e.g. if an individual withdraws N50,000 over the counter, and N150,000 from the ATM on the same day, the total amount withdrawn by the customer is N200,000, and the service charge will apply on N50,000 - the amount above the daily free limit). The limit also applies to cash brought through CIT companies, as the CIT company only serves as a means of transportation.
- **Charges**
  — The charges shall apply from March 30th 2012 in Lagos.
  — The service charge for daily cumulative deposits above the limit into an account shall be borne by the account holder. However, during the pilot in Lagos, individuals paying money from Lagos, into an account outside Lagos, shall bear the charges for any single transaction above the daily limit.
  — The service charge for daily withdrawals above the limit into an account shall be borne by the account holder.
- **Interstate Transactions**
  — Charges/fees shall apply for all transactions in Lagos, and on Lagos State based accounts.
  — Transactions initiated out of Lagos State, and affecting a Lagos based account shall not attract charges/fees, and shall not be counted as part of the daily cumulative amount on that account since the policy has not been activated outside Lagos (e.g. A deposit above the limit made from Onitsha into a Lagos State account shall not attract charges/fees).
  — Transactions initiated from Lagos State, and affecting an account outside Lagos, shall attract charges/fees (when the specific transaction is above the limit), since the policy has been activated in Lagos (e.g. A deposit made from Lagos State above the limit, into an account in Abuja, shall result in the initiator paying the relevant charges/fees, while the account into which it is paid outside Lagos shall not be impacted).

The policy will eventually be rolled out to other regions across the country from June 1st 2012. Please note that the policy does not prohibit withdrawals or deposits above the stipulated amounts, but that such transactions will be subject to cash handling charge.

Expected Benefits of the New Cash Policy

A variety of benefits are expected to be derived by various stakeholders from an increased utilisation of e-payment systems. These include:

- For Consumers: Increased convenience; more service options; reduced risk of cash-related crimes; cheaper access to (out-of-branch) banking services and access to credit.
- For Corporations: Faster access to capital; reduced revenue leakage; and reduced cash handling costs.
- For Government: Increased tax collections; greater financial inclusion; increased economic development. Increased tax collections; greater financial inclusion; increased economic development.

Current Awareness/Engagement Status

The CBN has been running a set of targeted stakeholder engagement sessions as a first stage of its planned communication campaign. These have targeted key groups that will be most impacted by the cash policy, with the objective of creating awareness and providing an opportunity for them to raise issues and concerns. The stakeholders so far have included markets, associations, professional bodies, etc. These stakeholder sessions were concluded in November 2011. The CBN is now implementing the phase 2 of the communication strategy, which is the Mass communication campaign, leveraging the inputs derived during the stakeholder sessions.

** Content of the Cashless Policy was culled from the CBN website.*

ICAN Advises Federal Government to Close Dedicated Accounts

The Federal Government has been called upon to stop maintaining dedicated accounts such as Excess Crude Account, in order to check abuses in the economic and financial systems of the country.

This advice was contained in the Communiqué issued at the end of the 6th Western Districts' Conference of the Institute of Chartered Accountants of Nigeria (ICAN) with the theme "Accountability & Financial Transparency: Key to Economic Growth and Development" held at Airport Hotel, Ikeja, between 27thand 29th February, 2012.

The participants also suggested that there should be strict adherence to the Provisions of Section 162 of the Constitution on management of the Federation Account in line with the rule of law, adding that an office of Accountant-General of the Federal Government should be created and made different from the office of the Accountant-General of the Federation, to promote objectivity.

For accountability sake, the participants enjoined the Nigerian National Petroleum Corporation (NNPC) to henceforth be remitting all petroleum incomes accruable to it to the Federation Account in accordance with the provisions of the Constitution of the Federal Republic of Nigeria.

They also called on the three tiers of government to introduce institutional framework by way of social security to ease the pains of unemployment and/or old age, as this may minimize corrupt practices among public and private office holders and guarantee their post retirement wellbeing.

"The Government should encourage formation of Citizens Advocacy Groups to hold public office holders accountable for their deeds and aggressively focus attention on moral rebirth or good value system to re-orientate the citizens on sound character, financial discipline and integrity," the communiqué stated.

On the judicial system in the country, the government is encouraged to take appropriate steps to ensure that plea bargaining, as part of the nation's legal system, is not subjected to abuse.

The participants called on the Institute to be at the vanguard of discouraging the practice of accounting anomalies in the Country, especially in the public sector, e.g. the existence of the Excess Crude Account.

The Institute was also charged with the responsibility of organizing symposia to review the Budget of the Federal Government so as to monitor its implementation and performance. It should also show greater interest in the affairs of its members who may be involved in whistle-blowing activities and are consequently subjected to threat to life or personal injury. This may be through the provision of legal assistance and insurance covers.

Earlier in his own address, the 47th President of ICAN, Professor Francis Ojaide, who was represented by his Vice, Mr. Doyin Owolabi described accountability and transparency as the solid foundation blocks upon which great nations built their economic and political success.

He advised participants and Nigerians that, "if the Nigerian economy is to prosper and meaningful developments to take place, we must as Nigerians collectively resolve not to only build oasis of sanity in our spheres of influence but also embrace the principles of accountability and transparency in the management of our huge human and natural resources".

In his keynote address, the Lagos State Governor, Mr. Babatunde Raji Fashola who was represented by his Special Adviser on Revenue and Taxation, Mr Bola Shodipo said that there is hardly any difference between ICAN and Lagos State in terms of trust.

He noted that the seamless transition of ICAN leadership is second to none and worthy of emulation, saying that Lagos State is the only state in Nigeria that will survive even if oil revenue diminishes because it thrives on 70% internally generated revenue.

He however, charged members of the Institute to maintain the level of integrity and accuracy in the discharge of their duties which they are known for.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

COMMUNIQUE

OF THE 6TH WESTERN DISTRICTS ACCOUNTANTS CONFERENCE

PREAMBLE

The 6th Western Districts Accountants Conference of the Institute of Chartered Accountants of Nigeria (ICAN) was held at the Airport Hotel, Ikeja, Lagos from May 27_ 29, 2012. The theme of the Conference is "Accountability & Financial Transparency: Key to Economic Growth and Development."

PARTICIPATION

The conference recorded 277 fee-paying participants and 50 officials giving a total of 327 participants, comprising of Chartered Accountants, students and other professionals.

After exhaustive deliberations and discussions, participants came up with the following resolutions and recommendations:

The Government

a. The Government should no longer maintain dedicated accounts which are not supported by the Constitution of the Federation, e.g. the Excess Crude Account, in order to check abuses in the system.
b. There should be strict adherence to the Provisions of Section 162 of the Constitution on management of the Federation Account in line with the rule of law.
c. There is the need for the creation of the office of the Accountant-General of the Federal Government different from the office of the Accountant-General of the Federation to promote objectivity.
d. The Nigerian National Petroleum Corporation (NNPC) should henceforth remit all petroleum incomes accruable to it to the Federation Account in accordance with the provisions of the Constitution of the Federal Republic of Nigeria.
e. The three tiers of Government should introduce institutional framework by way of social security to ease the pains of unemployment and/or old age. This may minimise corrupt practices among public and private office holders and guarantee their post retirement wellbeing.
f. The Government should encourage formation of Citizens Advocacy Groups to hold public office holders accountable for their deeds.
g. The Government should aggressively focus attention on moral rebirth or good value system to re-orientate the citizens on sound character, financial discipline, integrity etc. This can be achieved through regular publicity and sponsored educational programmes.
h. The Government should take appropriate steps to ensure that Plea Bargaining as part of our legal system is not subjected to abuse.

The Institute of Chartered Accountants of Nigeria

a. The Institute should be at the vanguard of discouraging the practice of Accounting anomalies in the Country especially in the Public Sector, e.g. the existence of the Excess Crude Account.
b. The Institute should constantly organize symposia to review the Budget of the Federal Government so as to monitor its implementation and performance.
c. The institute should show greater interest in the affairs of its members who may be involved in whistle-blowing activities and are consequently subjected to threat to life or personal injury. This may be through the provision of legal assistance and insurance covers.
d. The Institute should ensure that the communiqués of Western District Conferences are, henceforth, published in at least two national newspapers to make positive impact in the economy.

ICAN Bids Late Past President, Prince Ade Babington-Ashaye Farewell

The Institute of Chartered Accountants of Nigeria (ICAN) on Wednesday, 25th January, 2012 held a commendation service in honour of its late Past President, Prince Adebajo Abiodun Babington-Ashaye, FCA.

Prince Babington-Ashaye died in Lagos on Saturday, 7th January, 2012 after a brief illness. He was aged 64.

In the short exhortation at the service, human beings were implored to be wary of what they do as each person would die one day and be held accountable for all what he or she does while alive. He enjoined all humans to see death as inevitable end that would put each person, no matter his status, face to face with his creator. According to him, Babington-Ashaye had played his role and left the stage for others to play theirs too before quitting.

In his tribute in honour of late Babington-Ashaye, the 47th President of ICAN, Professor Francis Ojaide eulogized the late Past President. He described him as a charismatic man who always carried himself with dignity and candor in his well-tailored attires.

"He had a penchant for details and always insisted that right thing must be done. Prince Babington-Ashaye would always air his views on any issue, no matter the direction in which others were going. He was a rugged professional with zeal and determination. He was fearless, bold, blunt, courageous and very outspoken, but could also be jovial and very friendly. He tried to fight a just cause. He loved the profession and was a specialist in taxation and insolvency. When you raised an issue on these aspects of the profession, you would see the true Babington-Ashaye in action".

"He had many followers because of his characteristic way of doing things. Not only that, Prince Babington-Ashaye was fond of his family as he was always talking about his children and his investment in them. A good sportsman who won many laurels in squash racquet. Prince would always be seen after office hours, dressed as a sportsman and when he walked, he bounced like the sportsman that he was. It was so sad to have lost such a man at this point in time, " he lamented.

Ojaide reeled out some of the achievements of late Babington-Ashaye, saying "His tenure as the ICAN President saw the profile of the Institute rise tremendously. Some of his achievements include the following: resuscitation and launching of ICAN six Faculties; enhanced competitiveness of the Secretariat operations within the global business environment through the commencement of overseas training for top management staff; automation of ICAN examination registration; production for the first time in the history of the Institute, the electronic version of Membership Year Book in CDs; introduction of CD version of conference pictures and papers, and on-line registration of conference participants just to mention a few".

Reading his funeral oration, the Chairman of Body of Past Presidents of ICAN, Chief Olusola Faleye described late Babington-Ashaye as a highly experienced specialist in auditing, investigations and insolvency, adding that while doing this, he gave considerable attention to fighting corruption in the society. Chief Faleye also pointed out that it was under his leadership that ICAN organized the Partners Forum to consider the role of auditors in fighting corruption. He concluded that the Body of Past Presidents would forever miss him.

Apart from his contributions to the Accountancy Profession, Prince Babington-Ashaye contributed immensely to other spheres of life. He was a Member of the VAT Tribunal set up by Federal Government in 2000; Member, Investigating and Probe Panel of a major Federal Government owned company set up in 1978 and 1994; Chairman of the Board of Governors of Girls Academy, Lagos; Past President of Rotary Club of Ogere; Executive member of Lagos State Squash Racquets Association; President of the Lagos Lawn Tennis Club; Foundation Member of the Business Recovery & Insolvency Practitioners Association of Nigeria (BRIPAN). He was also the Vice President of the Association of Accountancy Bodies in West Africa (ABWA).

ICAN Council members with Babington-Ashaye's family after the commendation service

A Tribute IN HONOUR OF PRINCE ADEBAJO ABIODUN BABINGTON-ASHAYE, FCA PAST PRESIDENT OF ICAN

When the news of the sudden demise of Prince Adebajo Abiodun Babington-Ashaye was broken to us on Saturday, 7th of January, 2012 at the age of 64, the impact was so enormous. It is really unfortunate that the cruel hand of death snatched our brilliant, industrious, fulfilled, peace-loving, good-mannered achiever and a quintessential professional.

I met Prince Babington-Ashaye during the ICAN examinations marking exercise in the late 80s. Considering the way he carried himself with dignity, there was no way anyone could pass him without noticing him, especially with his well-tailored starched dress and vibrating voice. I tried to ask who that person was and they told me that was “Omo-oba” and Lagos man.

He had a penchant for details and always insisted that the right thing must be done.

Our relationship started when he realized that I was from the University of Jos and he started calling me Professor since then, even though I was the Principal Accountant at that time. That was how our relationship started before I won election into the Council. In the Council, Prince Babington-Ashaye would always air his views on any issue, no matter the direction in which others were going. He was a rugged professional with zeal and determination. He was fearless, bold, blunt, courageous and very outspoken, but could also be jovial and very friendly. He tried to fight a just cause.

He loved the profession and was a specialist in taxation and insolvency. When you raised an issue on these aspects of the profession, you would see the true Babington-Ashaye in action. He had many followers because of his characteristic way of doing things. Not only that, Prince Babington-Ashaye was fond of his family as he was always talking about his children and his investment in them.

A good sportsman who won many laurels in squash racquet. Prince would always be seen after office hours, dressed as a sportsman and when he walked, he bounced like the sportsman that he was. It was so sad to have lost such a man at this point in time.

I pray that his wife, Mrs. Funmi Babington-Ashaye and his children would have the courage to bear the irreparable loss.

Prince Babington-Ashaye was the 43rd President of ICAN in the year 2007/2008 Presidential year. Before he became President, he had been a member of the Institute's Governing Council since 1992 and served in several committees as Chairman or Member at different times.

His tenure as the ICAN President saw the profile of the Institute rise remendously. Some of his achievements include the following: resuscitation and launching of ICAN six Faculties; enhanced competitiveness of the Secretariat operations within the global business environment through the commencement of overseas training for top management staff; automation of ICAN examination registration; production for the first time in the history of the Institute of the electronic version of Membership Year Book in CDs; introduction of CD version of conference pictures and papers, and on-line registration of conference participants just to mention a few.

Prince Babington-Ashaye was educated at th Federal School of Science, Lagos, (1967-1968); Westham College, London, (1970-1972); and South-West London University, London (1972-1973). He had his professional training with the firm of Slater, Chapman & Cooke (Chartered Accountants) London (1973-1975). Between 1975 and 1980, he was with PriceWaterHouse & Co, London, Lagos and Philadelphia, USA. He was Managing Partner of Ijewere Dangana Ashaye & Co from 1975 to 1980 and later, the Managing Partner of Babington-Ashaye & Co.

Apart from his contributions to the Accountancy Profession, Prince Babington-Ashaye contributed immensely to other spheres of life. He was a Member of the VAT Tribunal set up by Federal Government in 2000; Member, Investigating and Probe Panel of a major Federal Government owned company set up in 1978 and 1994; Chairman of the Board of Governors of Girls Academy, Lagos; Past President of Rotary Club of Ogere; Executive member of Lagos State Squash Racquets Association; President of the Lagos Lawn Tennis Club; Foundation Member and Vice President of the Business Recovery & Insolvency Practitioners Association of Nigeria (BRIPAN). He was also the Vice President of the Association of Accountancy Bodies in West Africa (ABWA). Prince Babington-Ashaye was indeed a worthy ambassador of this great Institute. Life is like a flower that is beautiful and blossoms in the morning, but withers away in the night. Death is an inevitable end and everybody will go one day. Prince Babington-Ashaye has played his own part and has departed, but the question for those of us still alive is: When the roll is called up yonder, will you be there?

When the roll is called up yonder / 4x
I'll be there.

My dear colleagues on Council, Past Presidents, family members, invited guests, distinguished ladies and gentlemen, what can we say? We can only say good night to our dearly beloved friend and past President, Prince Adebajo Abiodun Babington-Ashaye. One day it is certain we shall meet to part no more. Once again, good night.

Professor Francis Ojaide, MSc, PhD, FCA, OON
47th ICAN President, 2011/2012

TRIBUTE TO LATE PRINCE ADE BABINGTON-ASHAYE BY THE INSTITUTE OF CHARTERED ACCOUNTANTS, GHANA

“For I am persuaded, that neither death, nor life, nor angels, nor principalities, nor powers, nor things present, nor things to come, nor height, nor depth, nor any other creature, shall be able to separate us from the love of God, which is in Christ Jesus our Lord.” (Romans 8:38, 39)

With heavy hearts we mourn the sad passing of a man of integrity and dedication, Prince Ade Babington-Ashaye. He lived a full life servicing his nation, ICAN and ABWA in various capacities by aptly utilizing his great store of knowledge and expertise. We all feel a sense of loss at his demise.

Prince was a member of the ABWA Council from 2006 to 2008, its Honourary Treasurer in 2006-2007 and then as ICAN's president in 2007 to 2008. During that period, he interacted with notable personalities of our Institute such as Nana Prof. Ato Ghartey, President of ICAG at that time as well as late Mrs. Cecilia Nyann and a number of others.

He was a very likeable fellow with a cheerful disposition. He always had a sense of purpose and determination and it is little wonder that he made positive strides in ensuring that ABWA as a regional member body, gained prominence among its member nations.

Prince made invaluable contributions to the progress and development of the ICAN and these efforts he translated to his role in ABWA her Honourary Treasurer.

On behalf of the governing Council of ICAG, members, students and staff, we express our profound condolences to Prince's widow, children, and the entire family. Our hearts are heavy as we join in solidarity with members of ICAN to mourn your beloved colleague and friend. Members of ICAG who worked with him during his tenure on ICAN and ABWA, still carry fond memories about him.

At this solemn moment as we celebrate the life of Prince Babington-Ashaye, we are assured that we shall meet again. We leave his family with the comforting words that the God of all comfort would comfort you during this time of grief, in order that you may be a source of comfort to others similarly afflicted. (1 Corinthians 41:4)

Prince Ade Babington-Ashaye, rest in peace.
Prince damirifa due!
Rest peacefully in the Lord.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
(Established by the Act of Parliament No. 15 of 1965)

CALL FOR ARTICLES

(Academic and Professional Researchers)

The Institute of Chartered Accountants of Nigeria (ICAN) is a professional body of accountants established by the Act of Parliament No. 15 of 1965 to, amongst other things, determine the level of knowledge and skills one should possess in order to practice as an Accountant and to raise such standards from time to time.

As part of initiative towards strengthening relationship with its members and tertiary institutions across the country and beyond as well as other professionals who are interested in accountancy research works, the Institute of Chartered Accountants of Nigeria is in the process of publishing an academic research journal titled: ICAN Journal of Accounting, Finance and Business.

THE PUBLICATION

This research journal was conceived with a view to creating avenue for members of the Institute in academia and others in practice who are interested in research work, the result of which will be published and be added to the compendium of research works that contribute to knowledge development and provide technical information and new developments in the field of accounting, finance, business and other related areas.

The Institute is using this medium to call for articles for publication in the journal from Professors, Deans of Faculties, Heads of Departments, Lecturers, independent academic researchers, students and professionals generally.

ARTICLE FORMAT

All articles to be submitted for publication in the ICAN Journal of Accounting, Finance and Business should comply with the following format and instructions:

1. Articles must be well researched on contemporary issues in the field of Accounting, Finance, Economics and Business.
2. All articles should be typed on an A4 paper in not more than 25 pages using 12 points font size and Comic Sans fonts type with double line spacing.
3. The title page should include the title and author's contact information.
4. The second page should include the title and an abstract of not more than 300 words to capture the main objective, methodology, findings/contribution to knowledge and recommendation(s) of the article.
5. The text reference should be author/date (year) type (e.g. Ajayi: 2006); the reference list should follow the Harvard Style (surname, first and second names then initials, year, title, publisher and place) and should be arranged in alphabetical order of surnames of the authors. Adjustments are to be appropriately made if the material referred to is journal, magazine or newspaper.
6. Three hard copies and a soft copy saved in Microsoft Word should be sent to the address below:

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How Adoption of IFRS will Impact IT systems in Nigeria

By Tope Aladenusi

The directive by regulatory bodies for companies to adopt International Financial Reporting Standards (IFRS) as the new basis of financial reporting, and the release of the adoption roadmap, requires that companies quoted on The Nigerian Stock Exchange (NSE) publish their financial statements in accordance with IFRS with effect from years ended 31 December 2012. This effectively means that in 2012, companies quoted on The NSE should start reporting their quarterly financial statements in IFRS. However, many companies are yet to fully convert to IFRS.

This is probably due to misconceptions surrounding the conversion to IFRS; many thought it was just an "accounting event" that could be handled by "Corporate/Finance"; some others thought it was simply a need for new templates and rollups in their financial reporting applications that it has no real impact on other areas of the business and the people involved. Perhaps some were not bothered and thought it could be handled in their typical "fire brigade approach" at the last minute. However, it is becoming obvious to many that the IFRS adoption is an event that will affect IT systems to their core; something that requires planning and coordination across functional lines (accounting, tax, treasury, HR, IT) and it is only through well planned execution before a company can benefit from its adoption. Viewing the adoption of IFRS as simply a reporting change can lead to costly rework at a later date and/or cumbersome and inefficient processes.

The conversion to IFRS will have its most significant impact on accounting and financial reporting functions, but it will also have an extended impact on other areas of an organization. These other areas affected by the changes brought about by IFRS will have to be factored into an organization's conversion to IFRS. These areas cut across the people in the organization, the process involved as well as the technology infrastructures.

Imagine if Nigeria were to change her official language from English to French. Do you think that would have an impact on our IT systems? Would there be a need to change the type of computer keyboard we use? What about changes to the dictionary in MS-Word and other programs we have running in English? In a similar manner, a conversion to IFRS, which is an understandable and enforceable global accounting standard that require transparent and comparable information in financial statements, would have some impact on our IT systems. In this article, the focus will be on the impact of IFRS on IT systems.

In a simplistic way, a typical information system has three units - Input, Processing and Output while a typical IT environment supporting financial processing has five platforms - Source Systems, General Ledger, Data Warehouse, Reporting System and the physical Infrastructure. We can categorize the five platforms into the typical three units as shown below:

Input: Source Systems and Sub Ledgers
Processing: General Ledger and Data Warehouse
Output: Reporting System

The physical infrastructure spans all three units.

IFRS adoption may impact all three units of an information system, depending on the industry and the level of standardized systems and data in an organization. In order to successfully adopt IFRS, organizations must carry out a gap assessment between the current reporting requirements of Nigerian GAAP (SAS, CAMA, BOFIA, SEC Rules) and IFRS. Potential impacts and key considerations on the key IT platforms are outlined as follows:

Source Systems and Sub Ledgers

- Differences in the accounting treatment between current accounting standards and IFRS will create a need for new input data. E.g. new input data relating to information on collateral (according to IFRS 7) will be required by Nigerian banks.

- Data and transactions that are captured, stored and ultimately sent to the financial systems may not have all needed attributes or qualities.
- Transformation layer or Interfaces (depending upon the current system architecture) are not likely to have been designed with IFRS in mind; data sender/receiver structures may need to be adjusted.
- Sub ledgers within the ERP system may have additional functionality to support IFRS (e.g. Fixed Asset componentization) which is currently not being utilized and could be implemented.

General Ledger

- Differences in the accounting treatment between current accounting standards and IFRS will likely drive changes to General Ledger (GL), Chart of Accounts, as well as, design of sub-ledgers and feeds. For instance, a new GL called "Impairment losses on financial investments" may need to be created in line with IFRS 7.
- Conversion to IFRS will likely necessitate redesigned accounting, reporting, consolidation, and reconciliation processes, which may impact configurations of the financial applications, eliminations, etc.
- Current valuation systems may not have functionality to handle IFRS requirements.
- Multinational companies may need to re-develop General Ledger platforms or additional sets of sub-ledgers to ensure compliance with multiple financial reporting requirements.

Data Warehouse

- IFRS has more extensive disclosure requirements, requiring regular reporting and usage of financial data that may not be standardized in current data models.
- Increased need for documented assumptions, sensitivity analyses may expand the scope of information managed by financial systems.
- Reporting warehouse feeds to calculation engines may need to be adjusted in a standardized way to support reporting processes.
- Data governance functions and Meta data repositories (potentially including data dictionary, ETL & business intelligence tools) may require adjustment to reflect revised data model.

Reporting System

- The differences that arise in the accounting treatment between current accounting standards and IFRS will create a need for changes in reporting i.e. creation of multiple reports as well as reconciliation of changes.
- External reporting templates will require revisions to reflect IFRS requirements. Under IFRS, your internal reporting should ordinarily have the same format as your external reporting.
- Assumption changes from period to period can introduce significant volatility and require detailed support for derivation and rationale for changes, requiring design of additional reports.
- New information delivery tools may be required to meet all requirements

Practical examples of IT areas that are impacted by IFRS and possible solutions include:

Financial Instrument recognition and measurement: Banks currently classify their loan portfolio into performing and non-performing portfolios. Specific provisions are made on non-performing loans and a general provision is made on the performing loan portfolio. The provisions are calculated in terms of the Prudential Guidelines issued by the Central Bank of Nigeria (CBN).

IAS 39 requires financial assets, with the exception of those measured at fair value through profit and loss, to be reviewed for impairment. Two distinct characteristics of the IAS 39 impairment model are: 1. Impairment losses should be recognized when they are incurred, rather than expected; 2. An impairment loss should be regarded as incurred if and only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition (a 'loss' event)

This simply results in having to establish an incurred loss model and no blanket reserve i.e. general reserve being applied.

System impact: General provision of 1% on performing loan already configured on IT systems may need to be replaced by either specific provision or incurred but not reported provision.
The following loan provisioning model currently configured on IT systems may be revised:

- More than 90 days but less than 180 days - Substandard- 10%
- 180 days but less than 360 days - Doubtful - 50%
- 360 Days and over - lost(written off) - 100%

Possible solutions: Effect necessary system changes to the current model that is based on an expected loss. Implement selected measurement criteria based on IAS 39. Process reengineering may need to be performed such that selected staffs are trained to monitor assets for impairment.

Property, Plant and Equipment: IFRS requires componentization and a different approach to residual values, which could result in differences in depreciable amount and depreciation expense. Additionally, impairment accounting is different, including the need to reverse impairments if circumstances relating to an impaired asset improve.

System impact: This will impact applications used to monitor assets and reporting. The systems must be able to breakdown and recognize information

> **"The conversion to IFRS will have its most significant impact on accounting and financial reporting functions, but it will also have an extended impact on other areas of an organization."**

components. The systems should allow for codification of property, plant and equipment classes as defined by IFRS 8 and the ability to integrate and separate new sub-groups for property, plant and equipment.

Possible solutions: Use a standard function to split or componentize the asset. Also Depreciation rules, residual values, asset classes, asset lives will need to be updated or created through standard functionality. Some entities may consider implementing fixed asset systems to allow for the new requirements.

Foreign Exchange: A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition shall be recognized in profit or loss in the period in which they arise.

Currently, some companies make use of average quarterly or annual exchange rate for their foreign currency transaction despite significant fluctuations, which is inappropriate under IFRS.
System impact: Systems that maintain spot exchange rates may need to be amended especially where average rate / management approved rates are usually used rather than spot exchange rates.

> **"Project Management is crucial to a successful adoption of IFRS; a project management office should be set up to establish a program structure to develop the IFRS conversion roadmap."**

Possible solutions: Organizations may be required to update the spot exchange rates in the system on a daily basis. Alternatively, manual journals would need to be captured to record foreign currency transactions.

These are just examples of possible changes that may be required in IT systems of companies quoted on the NSE. In order to see the whole picture, organizations need to spend time understanding the technical accounting difference between NGAAP and IFRS as it relates to their own operation, thereby identifying the key impact on IT, and strategically designing future state systems.

I find it mind-boggling that some companies issued request for proposals to reputable IT vendors seeking for middleware to address IFRS conversion issues without first taking time to understand the technical accounting difference between their current reporting requirements and IFRS. Just as it doesn't make much sense to recruit someone before consideration is given to drawing up his job description, organizations need to prepare a functional requirement blueprint that stems out of a detailed gap analysis between the capabilities of your current IT systems and required future state systems that is "IFRS compliant".

Starting early with an IFRS assessment allows organizations to uncover the scope of conversion gaps. While some changes to information and ERP systems can be easily implemented, some areas of IFRS conversion may require changes which have broad system and process impacts that require advanced planning and longer implementation timeframes. A long term roadmap incorporating the key implementation considerations will facilitate a smoother transition and allow organizations to embrace the benefits of IFRS.

It is pertinent to mention that companies should implement IFRS in a way that makes sense for their organization. No One Size fits all. The assessment phase is crucial. During a thorough assessment phase, you can evaluate cost/benefit tradeoffs carefully.

In concluding, organizations should view the conversion as an opportunity to consider the long term vision/plan for an information platform. A long term solution will help organizations optimize their future financial reporting infrastructure and processes, mitigate internal control issues in the transition and provide a driver to improve the transparency of systems. Spreadsheets and other manual processes to manage IFRS reporting and reconciliation can create a great amount of workload. Systems should be ready to help organizations in the transition. System design should include an adequate level of flexibility to incorporate additional accounting and regulatory changes in the future. The program should include a strategic knowledge transfer plan to convert the new processes into the "business-as-usual" state. The key to achieving benefits to IFRS is to understand that it's not just accounting. Starting to understand where you are today will help you lay out a roadmap to be ready to adequately address the impacts of IFRS on information systems.

Tope Aladenusi is the Head, Information & Technology Risk, Deloitte Nigeria.

INSTRUCTIONS TO AUTHORS

Authors seeking to have their articles published in The Nigerian Accountant are advised to adopt the following guidelines:

1. Article must be well researched on contemporary issues in the field of **Accounting, Audit, Investigations and Forensic Accounting; Taxation and Fiscal Policy Management; Consultancy and Information Communication Technology; Insolvency and Corporate Re-Engineering; Public Finance Management and Corporate Finance Management; Banking; Insurance; Manufacturing; Capital Market; Finance; etc**.

2. All articles should be typed on standard A4 paper and must not exceed twenty pages in 12points font and double spaced.

3. The title page should include the title and author's contact information (no other page should include author's information).

4. The second page should include the title and an abstract of not more than 150 words.

5. The paper must be properly referenced. The American Psychological Association style is preferable in the following format:

   a) **In the text:** Author's name and year of work e.g. Lucey (1997) or (Lucey, 1997) at the end of sentence. Page numbers must be included for direct quotations, e.g. (Lucey, 1997, p. 8).

   b) **List of references:** arranged in alphabetical order in the author-date format, e.g.

Book Reference
Lucey, T. (1997). Management Information Systems
(8th ed.), London: Letts Educational.

Journal Article Reference
Wainer, H. (1997). Improving tabular displays: With NAEP tables as examples and inspirations. Journal of Educational and Behavioural Statistics, 22, 1-30.

Internet Reference
Baker, F.M. & May, A.J. (2007). Survey Research in Accounting. Unpublished manuscript retrieved January, 2008 from **http://www.maybaker.org/journals/webref.html.**

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RETURN ON TALENT:
Creating Value Through Motivation

By Ayotunde Yoloye, ACA

INTRODUCTION

"People are our greatest asset" is not just a slogan for many leading companies but a reality. However the management of this asset and ensuring an appropriate return thereon with every passing day is becoming an increasing challenge for many organizations.

There are several factors contributing to this challenge but by far the biggest challenge is the changing business landscape in which these businesses operate. The landscape is changing in so many different dimensions: The talent crisis, an ageing workforce in the western world, burgeoning populations in developing countries, the increase in global worker mobility and the organisational and cultural issues emerging from the dramatic pace of business change in the past decade.

UNDERSTANDING THE CHALLENGES

An understanding of these challenges is critical to the successful management of talent today. Let us look at some of these challenges.

Changing demographics

Demographic shifts show the steady creep upwards of life expectancy in many parts of the world, whilst at the same time birth-rates are in rapid decline in most of the old economies. Even Latin America, the US and Asia are heading towards a 'greying' of the population. These dramatic shifts will lead to an unprecedented shortage of younger workers and the need to keep employees working until well past current retirement ages. The idea that companies would source talent needs from an unlimited supply of workers from emerging markets has not materialised. Talent shortages are just as critical in China, India, Eastern Europe and parts of South America.

An implication of this for Nigeria, has been the trend for some of its best talent to migrate to other economies. There is a high percentage of our local talent seeking to study abroad or opportunities for secondments abroad to provide a platform for absorption into the international job market.

The talent crunch

Organisations today are still facing serious challenges in finding the right quality of staff for their businesses. It is a known fact that talent will be as critical tomorrow as it is in today's world. 97% of CEOs in a PricewaterhouseCoopers global CEO survey said that having access to talent and key skills was the most critical factor for their long-term business strategy.

In the years ahead, fewer younger people will be working to support a significantly larger older generation. The race to capture the best has always been challenging, but with even less talent available in tomorrow's world, we can expect a talent crunch which will have a significant impact on the world of work. Business success is driven by having the right people to deliver the strategy and create growth. Over the next decade, people supply will be the most critical driving factor for business success. Companies may go to extreme lengths in their search for talent, and once they have it, they will take measures to keep people 'locked in' to their organisations. Without this talent, they will be unable to compete.

The consequences of these changes could mean that "millennials" – the next generation of workers, will be a powerful generation of workers. It is likely that those with the right skills and abilities will be in high demand. They may be able to command not only creative reward packages by today's standards, but also influence the way they work and where and how they operate in the workplace. The employer brand and the ability to engage will be key, as employees identify by their own measures which organisations are desirable and which are not. The internet generation with their social networking sites and technological savvy will lead to companies using technology innovatively to attract and engage with employees. We could see the employer/employee dynamic shift dramatically – the employee may call the shots in tomorrow's world.

Technology, globalization and global mobility

The rate of technological change in particular has had a siginifcant impact on the way the world does business and will continue to do so. The world has become a global village and the advent of the internet and e-commerce has truly made the world a global market. Globailisation has given rise to a number of corporations merging or acquiring other entities in order to compete on the global stage.

There is a new global business landscape. Asia, Central & Eastern Europe, Brazil, Indonesia, Mexico and Turkey are challenging the mature economies for dominance. The US and Western Europe are re-establishing a competitive place in the new order, looking for low cost solutions in their outsourcing and offshoring initiatives, developing consolidation in mergers and acquisitions (M&A) activity, and recognizing the need for greater agility in order to respond rapidly to changing customer demands and sudden, unanticipated, financial crises.

Global companies demand global standards and the enshrining of global standards creates the platform for global mobility of resources. The demand for global worker mobility has increased dramatically in the last decade with the emergence of new markets and the globalisation of many industries. Companies struggle to get people to work overseas and the average cost of an assignee can be three to four times higher than a local hire. The return on investment of international assignments is often very poor, with up to 40% of assignees leaving the organisation within 12 months of returning to their host country.

The dynamics of business today are placing increasing demands on business managers to respond to their Human resource issues in new and innovative ways. People are critical. Levels of productivity, agility of response and innovation continue to be crucial to organizations as they struggle to adapt to the new world

As the globalisation of business and networks continue to gather momentum, all economies, whatever level of maturity they have reached, are recognising their dependence on the people aspects of their strategies to leverage success. All those responsible for talent management in the immediate future need to be aware of the range of issues, key messages and implications of the rapid changes if they are to achieve optimal returns on their talent.

Understanding millenials

A variety of definitions have been given as to who constitute the Millenials. They have been variously referred to as generation Y or those born after the advent of the internet. A simple definition' for millenials though will be those who enter into the workforce for the first time in the new millennium i.e. 1 January 2000.

Just as the expectations of the workforce of today differ quite significantly from the expectations of the workforce of yesterday, it is reasonable to expect that the expectations of the workforce of tomorrow will differ from the expectations of today's workforce.

> **“Organisations today are still facing serious challenges in finding the right quality of staff for their businesses. It is a known fact that talent will be as critical tomorrow as it is in today's world.”**

All organisations and their Human Resource teams need to look seriously at the millennial generation if they want to be able to compete in tomorrow's world. More and more, as the millenials begin to take centre stage in the workplace, they will begin to reshape the workplace of tomorrow with their advanced technological savvy, social responsibility values and global outlook.

Organisations need to work through the complexity of having such diversity in the workforce. Many organisations today use customer segmentation strategies to understand the orientations of their customer base. Companies may need to look at using similar methodologies to understand the segmentation and orientation of their workforce. Having the flexibility to provide tiered offerings to suit employees at different stages of their life-cycle as well as from different generations will be key to driving maximum value and loyalty from employees.

The future of business

Many studies have been undertaken to explore the future of society, the environment, business and even the workplace. One of such studies “The future of Work” was conducted by PricewaterhouseCoopers. The study outlines three organisational models of the future. These are:

Blue world - large corporates turning into mini-states and taking on a prominent role in society. In the blue world, the corporate are kings. Big company capitalism rules as organizations continue to grow bigger and individual preferences trump beliefs about social responsibility.

Orange world - specialisation creating the rise of collaborative networks. In the orange world, small is beautiful. Companies begin to break down into collaborative networks of smaller organizations; specialisation dominates the world economy.

Green world - the environmental agenda forcing fundamental changes to business strategy. In the green world, companies care. Social responsibility dominates the corporate agenda with concerns about demographic changes, climate and sustainability becoming the key drivers of business.

Any of these three scenarios could exist but it is most likely that the three scenarios will exist side by side in the new world order, with some scenarios being more predominant than others in different economies. Already we are seeing the three worlds emerge. For example the US economy has a predominance of companies operating in the blue world, in India a number of large corporates have social responsibility as an integral part of their business strategy and globally, with the significant advances in technology and supply chain infrastructure, we are seeing a lot more of specialization and outsourcing of services by many organizations.

In Nigeria, we are seeing a mix of the three worlds emerge. For instance in the upstream sector of the Oil and Gas industry, we are seeing greater emphasis on social responsibility and a move to the green world as a result of the Niger delta crisis, In the telecoms and banking sectors we are seeing the emergence of the blue world, while in the information technology sector the orange world thrives as we are see a number of smaller organizations specializing in different areas of the industry.

DEVELOPING STRATEGIES FOR OPTIMIZING RETURN ON TALENTS

To overcome these challenges and optimize return on talent, employers must develop strategies that recognize the unique nature of the business environment of today and proactively embrace these challenges in its human capital management strategy. There are a limited number of human capital drivers that will have the most significant influence upon organisational performance in the years immediately ahead. They include:

· Leadership,
· Engagement,
· Talent management; and
· Learning and innovation.

They are closely interrelated and the inability to excel and compete in any single one will result in failure in them all. The winning strategy must therefore address them all. Organisations must have strategies built around these four drivers in order to optimize the return s on their talent.

Leadership

Leadership is essentially the ability to influence people to work effectively towards the achievement of an organisation's goals. A tightened global business environment continues to produce even greater demands for enhanced leadership skills. PricewaterhouseCoopers records in its recent Managing tomorrow's people report that "globalization has led to a need for global leaders in a commercial world when there are not enough people with sufficient skills

Leadership in the 21st century is increasingly seen as a shared responsibility and not the domain of a single person. Effective leadership emerges through the key players of an organisation, who are committed to its purpose and competent to do what it takes to deliver the 'followership' to make it happen. If the leadership of an organisation is effective then its comparative positioning against its competition would be superior.

There is little evidence in any field of organizational activity be it commercial, public or political, that the quality of leadership is developing at the pace required by the rapidly changing, globalised and networked world. There is limited evidence that the significant sums invested in leadership development programmes are delivering value for money. The CIPD report UK Global Comparisons Leadership Forecast 2005-2006 stated that three in ten leaders fail to demonstrate the key qualities necessary for effective leadership.

> **"Effective leadership emerges through the key players of an organisation, who are committed to its purpose and competent to do what it takes to deliver the 'followership' to make it happen."**

Therefore, organizations that can get their leadership strategy right and create an environment in which its people thrive, will achieve superior returns on their talent.

Engagement

Research has shown a link between a highly engaged workforce and bottom line results, and the close relationship between employee engagement and customer satisfaction.

Engagement has been defined as, "a heightened emotional and intellectual connection with a job, organisation, manager or co-workers" and the influences that such a connection brings "to apply additional discretionary effort to his or her work". In essence an engaged employee is one who will do all that he or she can to deliver the requirements of the employer – and more.

Employers over recent years have demonstrated increasing interest in the engagement of their workforces and levels of employee engagement are beginning to be perceived among some investors as important indicators of a company's financial health, and longer term sustainability. It is believed that the more engaged employees are, the happier they will be on the job, the more committed to the job and the more productive they will be

Organisation's therefore should seek strategies that increase the level of employee engagement. Employee engagement sometimes comes at a price as it may require higher levels of employee discretion and employee trust at the very time when employee error can lead to costly repercussions.

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Talent management

Talent management can be defined as 'attracting, retaining, developing and promoting outstanding talent'.

Managing talent effectively is a competitive necessity. Filling critical roles in a business with competent and committed people every time, all the time, provides a performance edge that is essential for sustainable success.

Talent management has been a key human capital trend for the last decade but there is very limited evidence on a global basis that talent identification, acquisition, retention, development or leverage is taking place in a disciplined manner. Joseph Bower reports in the November 2007 Harvard Business Review as follows:- "I was appalled to learn recently that 60% of the respondents to a poll of 1,380 HR directors of large US companies said their firms had no CEO succession plans in place. The problem is not understanding or articulating what the talent issue is. The crux of the matter is that it lies, like so many other complex management challenges, in the practice.

Too many companies have over the last two decades ignored the hard work of building future leaders, while senior executives have focused increasingly on meeting the next quarter's earnings target." Part of the challenge also relates to having a firm definition of what talent means in an organisation i.e. talent pools, emerging talent, succession, key positions and how the talent management strategy is connected with the HR and business strategy.

There is now an increasing move away from the identification of high performers and high flyers, towards the identification of "pivotal employees". These are segments of the workforce that are expected to create value and determine the success of the organisation. Whereas high performers may break the mould of an organisation's direction, pivotal performers set the standards that ensure the sustainability of the existing business. This employee group always plays a disproportionate role in creating company value and success.

There is no short cut to effective talent management. It needs to be robust and done in a structured and disciplined manner. Organisations need a clear strategy for attracting, retaining, developing and promoting its outstanding talent in order to get on a consistent basis the best returns from its talent pools.

Learning and innovation
Key characteristics of a successful organization in the years ahead will include:

· agility – the ability to respond quickly to changing needs;
· customer focus – putting the customer at the centre of the organisation; and
· innovation – ability to innovate and spot new market opportunities.

In a sense, the only innovation that really counts, is that which meets defined customer needs and is agile enough to change direction when those needs change.

The ability of an organisation to innovate remains one of the major contributors to its continued sustainable economic performance. Innovation cannot of course be viewed in isolation. The ability of an organisation to produce the innovation essential to remain competitive will depend upon a range of other actions it is undertaking, including its leadership development, its talent bank, the engagement of its employees, plus the infrastructures it has in place for exploring new customer offerings.

Again, there is a clear need for strategies that will support organization learning and innovation.

WHAT DRIVES AND MOTIVATES TALENT?
In 1959, Frederick Herzberg created a two-dimensional model of the factors affecting people's attitudes about work. As a result of his study, he concluded that factors such as company policies, supervision, interpersonal relations, working conditions, and salary are what he termed "hygiene factors" rather than "motivators".

> **"The ability of an organisation to produce the innovation essential to remain competitive will depend upon a range of other actions it is undertaking, including its leadership development, its talent bank, the engagement of its employees, plus the infrastructures it has in place for exploring new customer offerings."**

According to the theory, the absence of hygiene factors can create job dissatisfaction, but their presence does not motivate or create satisfaction.

In contrast, he determined from the data that the "motivators" were elements that enriched a person's job; he found five factors in particular that were strong determiners of job satisfaction:
· achievement
· recognition
· the work itself
· responsibility, and
· advancement.

These motivators (satisfiers) were associated with long-term positive effects in job performance while the hygiene factors (dissatisfiers) consistently produced only short-term changes in job attitudes and performance, which quickly fell back to its previous level.
In summary, satisfiers describe a person's relationship with what she or he does, many related to the tasks being performed. Dissatisfiers, on the other hand, have to do with a person' relationship to the context or environment in which she or he performs the job. The satisfiers relate to what a person does while the dissatisfiers relate to the situation in which the person does what he or she does.

To deliver on the five factors that determine job satisfaction listed above, an organization must have the right leadership, engage its employees, manage its talent, learn and innovate.

With the change in demographics, we are finding that you could have as many as three different generations within the workforce at a given point in time. Hygiene factors may vary widely between generations but when it comes to motivators they remain essentially the same for all generations

A recent PricewaterhouseCoopers survey of 2,739 millenials world wide indicate the following expectations of millenials:

· The Millennials expect job mobility and want the opportunity to experience overseas assignments –80% would like to work abroad.
· 88% of millennials said they will choose employers who have corporate social responsibility (CSR) values that reflect their own and 86% would consider leaving an employer if CSR values no longer matched their expectations.
· The majority expect some element of office based work and only 3% expect to

work mainly at home/ other locations. Most expect to be working mainly regular office hours with only 18% expecting mainly flexible hours.

· The notion of portfolio careers is not likely to become a reality for this group – 75% of whom believe they will have between two and five employers in a lifetime.

· Training and development is the most highly valued employee benefit. The number choosing training and development as their first choice of benefit is three times higher than those who chose cash bonuses. 98% believe working with strong coaches and mentors is an important part of their development.

· Over half the sample believes they will personally fund their retirement with only 5% believing their retirement would be funded by the government/ state and 17% by their employer.

· They envision a 2020 world where China, India and Russia will have more economic influence than the US and Europe (47%). And over a third of respondents believe that companies will be more influential than governments

The older generations tend to be more concerned with such issues as

· job stability

· Benefit packages that cater for the family and long term needs i.e

o health insurance,

o school fees,

o travel perks,

o housing facilities

o Retirement benefits

· Values protection

· Income that protects their standard of living

· Job satisfaction

· Career advancement

MANAGING TALENT IN A DIVERSE WORK PLACE

Managing talent effectively requires appropriate strategies in all aspects of the talent management value chain. There are three broad dimensions to managing talent. These dimensions are:

o Attracting talent – ensuring that the right type of people in the right numbers are brought into the organisation

o Developing and promoting talent – Ensuring that the people within the organization have the skills to continue to remain relevant to the organization over time

o Retaining talent – ensuring that the organization can keep the people it wants to keep within the organization.

Some of the key aspects of each dimension are discussed in more detail below.

Attracting talent

· Awareness programmes – How do you get potential employees to know about you. What is your selling point? i.e. do you have a clear statement about corporate responsibility – can you make this part of your employer brand and be committed to deliver the promise.?

· Recruitment programmes – What are your recruitment sources. Do you have a

recruitment philosophy. How robust is the recruitment process. To what extent do the values of new recruits align with corporate values?

· On line recruitment – Provides immediate access to the global job market.

· Road shows – Going into the job market to articulate the employer brand – communicating internally and externally what it means to work for an organisation.

· Affiliation with Other agencies – Partnering with organizations to access their own skills pools

· Alumni programmes – How are alumni being managed? They are a strong influence on the public perception of your organization.

· Internship programmes – Programmes to attract and engage potential employees while they are still in school

Developing and promoting talent

· Appraisal and counseling systems – On the job assessments of employee performance and structured guidance to ensure that futire performance aligns with set expectations

· Personal planning programmes – Employees make plans for their career in the context of the long term plans of the business

· Career and succession planning – Planning future people requirements and developing the capacity required

· Global mobility/ Secondments - Consider global working opportunities and how these support employee development and the development of the business.

· Learning and Education - Competence assessments and tailored people development programmes

· Performance measurement - Linking performance measures to business indicators - Employee engagement, performance and productivity are all measured systematically using robust metrics and analysis

· Use of Technology – Creative use of technology to enhance efficiency and productivity e.g teleconferencing to reduce travel time.

Retaining talent

· HR information systems – Systems that provide HR information on a timely basis in the format that aids business decision making

· HR Metrics - Use metrics and benchmarking to segment your workforce in order to understand what they want and how these desires might differ from other workers

· Flexible work arrangements – Part time contracts, Flexi-time, working from home

· Job Evaluation – Determining the relative worth of jobs within the organization.

· Compensation Philosophy – What is the organizations goal for the compensation structure it has in place. For example to put as much cash as possible in the hands of the individual, Provision of services to employees that encompass many different aspects of employees lives', often including housing, health and even education for their children.

· Work life balance – How does the organization support the employee to achieve the right balance between work and their personal life e.g locating offices near where people live, Staff buses

· Diversity management – How is the organization handling the diversity of its people – gender, nationality, age etc

· Reward Strategies - Think creatively about reward strategies and what motivates people? Are flexible benefits possible? Is it time to shift focus from cash bonuses and company cars to other things?.

The world of work is going to become even more complex. Every organization needs to take a long hard look at its models and current people management strategies; how is it addressing reward, international mobility, employee engagement, development and learning? They must think about how these might change in the future and whether or not the strategy they currently have in place is future proof, is sustainable, sufficient and relevant for the plausible worlds of tomorrow.

MEASURING AND MONITORING WORKPLACE TALENT ACTIVITIES/TASKS

All human capital policies should be able to demonstrate their positive, measurable contribution to higher levels of people efficiency and effectiveness. Today people – in some cases at up to 70 per cent of overall costs – are often the biggest expense for the organisation. Yet, by and large organisations do a much better job of measuring their physical assets than they do measuring the impact of people on business results. Few organisations have achieved truly complete and real-time people measurement capabilities.

Effective people management on demands a comprehensive range of data and metrics available in one place. The range of data is not the only challenge that effective people management systems require. It is not enough to count people and turnover manually because the lag between the currency of the data and producing any meaningful reports and actions could be a quarter to six months . Measurement capabilities need to be real time or close to it. At the very least businesses need to be using people data that is less than 30 days old.

Having these data capabilities creates the foundation for highly effective talent management. It is critical to link the internal measures of employee satisfaction, engagement, innovation and so on with relevant metrics for customers to create a complete view of how people are contributing to the achievement of optimal business results. Understanding these links between people and bottom line performance is not as intangible as many people believe.

Key talent management metrics

There are a number of metrics that have been developed to measure the return on an organizations talent. These metrics give indications of how effective an organization has been in the key drivers of its talent management strategy i.e. leadership, engagement, talent management, learning and innovation. Some of the metrics are summarised below.

- Human Capital ROI – (Revenue – Non-wage costs) / (No of FTE x Average staff cost)
- Wealth created per FTE – (Profit after tax – 10% shareholders equity)/total FTEs)
- Average revenue per employee - Revenue/total FTEs
- Staff turnover rate - Resignations/headcount
- Remuneration/revenue % - (Total compensation + benefits)/total revenue
- Training Hours per FTE – Total FTE training Hours/No. of FTEs
- Career path ratio % - No. of FTE with Clear career paths/ No. of FTEs
- Workforce Diversity percentage (Women) – No of female FTEs/Total No. of FTEs
- Absence rate % - All absent days/FTE workdays
- Remuneration/revenue %
- Performance related pay %
- Attendance related pay %
- Training Coverage %
- Grievance rate per 1000 FTEs
- Revenue growth per FTE
- Profit per FTE - Profit before tax/total FTEs
- Costs per FTE - Total costs/total FTEs
- FTE costs as a % Revenue
- FTE costs as a % of Total Costs
- Sick days as a % of Total days work
- Staff Utilisation - time worked as a % of total work time available
- Staff realization – actual revenue earned as a % of standard revenue expected
- Ratio of total FTE to HR staff – Total No. FTEs/No. of HR staff
- Acceptance rate – Job offers accepted/job offers made

MAKING IT HAPPEN

For talent management to happen in any organization, there must be a talent management strategy that is closely aligned to the business strategy. The whole essence of managing talent is to achieve the business objectives of the organization. Therefore, any talent management strategy that is not aligned with the needs of the business is doomed to fail ab initio.

Three immediate first steps any organization needs to take in managing talent are to:

Create the right reward system – It is common knowledge that whatever gets measured gets done. Reward systems should be put in place that reward the kind of behavior that supports the achievement of the businesses objectives. Having a clearly articulated business strategy and an understanding of the key drivers for the success of the strategy is a necessary foundation for developing the right reward system. For instance, if business growth is a strategic objective, the reward system should have some benefits that accrue to people when certain growth targets are achieved.

Understanding the financial value of talent – If you think that training people is expensive, think about the cost of ignorance. Organizations need to understand the true value of their talent. When they do, they will find that it is usually far cheaper to develop and retain its talent pools than to try and replace and train new talent. Understanding the true value of talent is a compelling driver for managing talent mobility and employee engagement.

Manage Talent mobility – employee

"For talent management to happen in any organization, there must be a talent management strategy that is closely aligned to the business strategy. The whole essence of managing talent is to achieve the business objectives of the organization."

engagement - Organisations must take a proactive approach to planning for and managing its talent pools. Employees need to understand the business strategy and understand where they fit into that strategy. The stronger the link, the easier it is to articulate a development plan and engage employees in a manner that they see their relevance to the organization as it evolves.

Other key steps required a developing a robust talent management programme include:

· Benchmark current positions and service levels against industry metrics and best practice - There are several assessment tools available to determine people skills, knowledge and abilities. These tools can be used to benchmark where an organizations people stand in the context of what the business strategy requires and identify the gaps between the actual and the expected. Competence assessments and worker profiling, provide the platform for a systematic development of the talent pool into the optimal human resource base for achieving the organizations business objectives.

· Redesign people processes to be fit for purpose – People processes must support the business strategy and not hinder it. Cumbersome or inefficient processes need to be eliminated

· Organisational design that will enable the shift in mindset – The changing business environment is constantly calling for major shifts in the way business is done. Technology for instance has made it possible for on-line recruitment, on-line service provision, remote work practice etc. The organization design should support the shift in mind set required to achieve efficiencies e.g. the move to a paperless office.

· Define a Change strategy – Articulate a plan to change how things are done. Knowing where to invest in change and seek improved performance will separate the victors from the vanquished. The focus should be on areas where the payback is greatest

· Change readiness assessment – Assess peoples preparedness and attitude towards the planned changes. The change strategy and communications plan must factor the readiness of the people for the changes to be made

· Effective communication – Continuous communication with stakeholders as changes are envisioned and implemented is critical to the success of a talent management programme. The style of communication must resonate with the people. Clear, succinct messages will be understood. Honest messages will be believed.

· Training – Skills building should be made a key performance measure for all employees. People must see that as performance standards change, they are being provided with the opportunity to develop the new skills required to function effectively in the evolving work place.

· Measure effectiveness of change by talking to stakeholders – The ultimate measure of success of any change is if it has the desired effect on stakeholders and ultimately the bottom line of the business. A process of obtaining feedback from key stakeholders of the impact of any changes to the process should be put in place

· Practical support to sustain long term benefits – The tone at the top should indicate that the initiatives put in place to manage talent are not one off events but will be institutionalized in the system. Senior management buy-in into the talent management agenda is crucial to its success.

WINNING THE WAR – A NEW CONTRACT

As society has progressed, it has always found a new way to do the same old things. Think about it. The slave trade in its crudest form has stopped but human trafficking still exists. Colonization of countries have stopped but economic and intellectual colonization still exists. Yes conflicts and wars still exist, but many wars are now being fought through the spread of ideologies, economic and other sanctions. The examples are endless and the message is clear - the rules of engagement are changing. Any company that uses yesterday's ideas, to do business today, will not be in business tomorrow. The business landscape is changing and changing very fast. The way the war for talent is being fought now has also changed. In particular, new technology has opened up endless possibilities in the way the value of talent can be harnessed.

In today's knowledge economy, innovation is a major determinant of business success. A recent Mckinsey survey found that 20% of companies have opened up their innovation processes to employees and customers and they report a 20% rise in the number of innovations on the average.

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Two new developments in innovation are open innovation and crowd sourcing. Some companies are now saying Why not let everybody have a crack at helping them develop a new product, improve an existing one or solve a vexing problem? They no longer specify who can participate in the innovation process. They welcome all comers. This, with the right technological support, gives the company access to the knowledge resident not only across its organization but across the world.

As organizations evolve, they need to be more nimble in anticipating where the business is going and positioning themselves to harness all talent available to support the move of the business in that direction. This means that succession planning models may need to change.

Researchers at the Rensselaer polytechnic found that companies fundamentally mismanage their innovation talent. Even though companies pay lip service to innovation, most do not provide the formal structure and support the programs need to succeed, such as an autonomous organization, processes tailored for highly uncertain work, and well designed metrics.

To remedy the problem, companies must first understand that breakthrough innovations consist of 3 distinct phases: these are:

Discovery - creating and identifying high impact opportunities

Incubation – experimenting with technology and business concepts to design a viable model for new business

Acceleration – developing a business until it can stand on its own
Typically, large companies rotate high potential managers in and out of the innovation leadership role on a regular basis. That may give the rising star broad experience, but it deprives the company of any real innovation experience at senior level. They need to consider the unique competencies that each phase requires and develop appropriate paths in line with these competencies. However, rather than developing these paths, many firms assume that an individual will be promoted along with a project as it grows from discovery, through incubation to development.

Those that are going to win the war for talent are those who are ready to challenge the way things are done and change the way they do things. It calls for a new contract

In future, there will likely be an expectation that companies are at least apace with technological advancements. Today, some large companies do not even know on a given day, their total number of employees. Smart companies are already ahead of the game, replicating the likes of Facebook networking sites internally. Other organisations are making foreign assignments part of the promotion criteria. Many organisations are taking people metrics to a highly sophisticated level, way beyond the staff satisfaction survey which has become the norm.

As we endure the ramifications of a global economic downturn, many companies are looking to cut back the workforce and reduce people spend to cut cost. Some may be reducing their graduate intake or introducing a total hiring freeze. But in order to achieve long-term growth objectives, it is critical that organisations have the right talent to help them navigate the challenges of a downturn and see them through to the other side. Businesses which cut back now might find that when the economic environment rebounds, they do not have enough of the right people to be in the best position for the upturn and to remain competitive.

Balancing short-term pressures with long-term business objectives is not easy. The businesses which get the balance right and invest in understanding and nurturing the people will be best positioned in the future. The success stories of tomorrow are companies that address their long-term skill needs both creatively and holistically, today.

Demographic trends, diversity, work-life balance and wellness are having a real influence upon the sustainability strategies for people management in organisations. Businesses will need to think carefully about how they engage with employees of different generations. Perhaps dependent on location or industry, companies will be forced to make significant changes as a result of new regulation, but also to remain competitive and sustainable in the eyes of customers, shareholders and employees. Company reward and retirement arrangements will change – possibly more towards performance related pay and the importance of hard measurement of people performance will be more crucial.

The new contract requires that organizations develop and implement positive, proactive policies related to all these trends, if they will successfully create the greatest value through their people tomorrow.

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Case study – What Motivates You?
Composition: In small teams of 15 -20
Timing: 10 minutes.
Instructions
Effective leadership emerges through the key players of an organization, who are committed to its purpose and competent to do what it takes to deliver the 'followership' to make it happen. One of the most important functions of a leader is helping to motivate individuals in his team. To help you understand how to motivate others, let's get clear on what motivates you
Individually take a few minutes to think back over the last few years and identify one specific time when you felt really motivated. What were the factors that caused you to feel so motivated?
Note down on the post-its given to you 2 things that motivate you personally to excel in your job. Also list 2 things that de-motivate you. Ensure you write each motivating and de-motivating factor on a different post-it.
When you have your 2 motivators and 2 demotivators please come up and post them on the appropriate flipchart marked "Motivators" and "Demotivators"

Case study – What Motivates You?
Feedback and Sharing (20) minutes
When participants have stuck their post-its on the flipcharts, each team is divided into two groups. One group is allocated to the motivators and one group to the demotivators. They should group similar items together. And organize the post-its so that they are arranged as a bar graph with each motivator/demotivator on the y axis and the number of times it was identified along the x axis.
Each team should summarise their causes of motivation and demotivation and feedback to the rest of the group in plenary.

Mr Yoloye presented this paper at ICAN's Mandatory Continuing Professional Education (MCPE) on General Management Practice

QUESTION 1

CASE STUDY

Temilade Toyo Fabrication Limited is considering the establishment of a new production centre to manufature a new product called "Glasson". For strategic reasons, the selling price would be set at N50 per unit. However, Temilade is uncertain about the scale of demand at that price. It is estimated that two states of demand are equally likely. State A represents relative failure in competing with established product, while State B represents relative success in that competition. Once the state has been identified, there remains some uncertainty about the actual level of demand because of uncertainty about general economic conditions.

State A		State B	
Volume per annum Units	Probability	Volume per annum Units	Probability
8,000	0.2	12,000	0.2
11,000	0.6	15,000	0.6
15,000	0.2	19,000	0.2

It would be possible to commission a market research survey to discover with certainty whether State A or State B prevails.

The manufacture of Glasson would require the purchase of a machine. Two models (Small and Big) are available; one which costs N400,000 and has a capacity of 12,000 units per annum and one which costs N600,000 and has a capacity of 20,000 units per annum. Both models would have operating life of five years and no scrap value at the end of that time. In addition to the costs of making the machine, the manufacture of Glasson would involve variable cost of N25 per unit and an increase of N100,000 per annum to the fixed cost of the firm.

The company's cost of capital is 15% per annum. Level of demand and prices and costs may be assumed to remain constant throughout the life of the machine. Sales and production costs are assumed to take place on the last day of each year.

Required:

(a) Calculate the expected Net Present Value of purchasing each model of the machines. (14 Marks)

(b) Recommend which machine should be purchased assuming no market research is undertaken. (4 Marks)

SOLUTION TO QUESTION 1

CASE STUDY

(a) Calculation of NPV of each Model

(i) Small Machine (Capacity 12,000 units)
State A

Expected annual sales in unit

Possible Sales (unit)	Probability	Expected units
8,000	0.2	1,600
11,000	0.6	6,600
12,000*	0.2	2,400
		10,600

*Computation to be restricted to machine maximum capacity i.e. 10,600 units hence Annual Net Cash Flow is (10,600 x N25 (FC) = N165,000.

(ii) Small Machine (State B)
Since each of the possible sales demands is at least equal the maximum machine capacity, the maximum capacity prevails, hence
Expected Annual Sales in unit = 12,000 x 1 = 12,000 units
Annual Cash Flow = (12,000 x N25) - 100,000 = N200,00

Calculation of Net Present Value of Small Machine Model

	State A			State B		
Yr	Cash Flow	DF	PV	Cash flow	DF	PV
	N		N	N		N
0	(400,000)	1.00	(400,000)	(400,000)	1.00	(400,000)
1-5	165,000	3.352	553,080	200,000	3.352	670,400
	NPV		153,080			270,400
	Probability		0.50			0.50
	ENPV		76,540			135,200
	Total ENPV			N211,740		

(iii) Big Machine (State A)

Sales (Units)	Probabilities	Expected units
8,000	0.2	1,600
11,000	0.6	6,600
15,000	0.2	3,000
		11,200

Expected Annual Net Cash Flow (11,200xN25) - N100,000 = N180,000

(iv) Big Machine (State B)

Sales (units)	Probabilities	Expected units
12,000	0.2	2,400
15,000	0.6	9,000
19,000	0.2	3,800
		15,200

Expected annual net cash flow N15,200 x N25) - N100,000 = N280,000

Calculation of Net Present Value of Big Machine model

	State A			State B		
Yr.	Cash flow	DF	PV	Cash flow	DF	PV
	N		N	N		N
0	(600,000)	1.00	(600,000)	(600,000)	1.00	(600,000)
1-5	180,000	3.352	603,360	280,000	3.352	938,560
	NPV		3,360			338,560
	Probability		0.50			0.50
	ENPV		1,680			169,280
	Total ENPV			N170,960		

(b) Recommendation
Without market research, the company should buy the small machine because its ENPV is more than that of the big machine at N211,740 against N170,960

EXAMINERS' REPORT

The question tests candidates' understanding of investment appraisal under Risk and Uncertainty.

This is a compulsory question. Most of the candidates attempted it.

The performance was very poor as about 85% of the candidates scored less than 50% of the total marks awarded.

The common mistake made by the candidates was traced to non-adherence to the dictates of the question that specifically stated the maximum capacity of Big Machine (state B). Majority of the candidates failed to take this into consideration. They used the same volume of Big Machine (state A) to appraise the projects.

Candidates are advised to read questions very well and follow examiners' instructions before attempting questions.

QUESTION 2

Deowal Company plans to introduce a new product line for the production of its Major products. For this reason, the firm plans to acquire semi-automated plant or an automated plant. The relevant data for the two proposed plants are:

	AUTOMATED	SEMI-AUTOMATED
Original purchase price	N2,000,000	N1,000,000
Installation cost	N500,000	N200,000
Estimated useful life	15 years	14 years
Method of depreciation	Straight line	Straight line
Yearly sales revenue	N2,000,000	N2,000,000
Yearly material and labour cost	N900,000	N1,400,000
Yearly variable overhead	N600,000	N300,000
Yearly apportioned fixed overhead	N200,000	N100,000

Required:

a.	Define Pay Back Period (PBP)	(2 Marks)
b.	Select the appropriate plant on the basis of:	
	(i) PBP and	
	(ii) Discounted Cash Flow (Rate 10%)	(9 Marks)
c.	List three hindrances of PBP	(3 Marks)
		(Total 14 Marks)

SOLUTION TO QUESTION 2

DEOWAL COMPANY

(a) Pay Back Period is defined as the period, usually expressed in years, which it takes the cash flows from a capital investment project to equal the cash flows generated. (CIMA)

(b)I The comparison of the cash flows contribution margin for the purpose of making selection:

	Semi-Automated		Automated Plant	
	N000	N000	N000	N000
Yearly sales Revenue (A)		2,000		2,000
Less Variable Cost:				
Material and Labout cost	1,400		900	
Variable overhead	300		600	
(B)		1,700		1,500
Contribution of cash flow		300		500
Payback period = Investment cost / Yearly cash flow =		1,200 / 300		2,500 / 500
=		4 years		5 years

Decision:

Semi automated plant is considered more suitable because of PBP of 4 years as against 5 years for an automated plant.

(ii) Using Discounted Cash Flow, the NPV of the Plants

Automated

Year	Cash Flow	DCF @ 10%	Present Value
	N		N
0	(2,500,000)	1.000	(2,500,000)
1.-15	500,000	7.606	3,803,000
	NPV		1,303,000

Semi Automated

Year	Cash Flow	DCF @ 10%	Present Value
	N		N
0	(1,200,000)	1.000	(1,200,000)
1-14	300,000	7.367	2,210,100
	NPV		1,010,100

Decision
It is advisable to select Automated plant that gives a higher NPV though the capital requirement of the plants differs.

(c) Hindrances PayBack Period include the following:
- (i) It fails to consider entire cash flows;
- (ii) It neglects the application of time value of money;
- (iii) It is biased against long term projects
- (iv) It does not consider the risk factor;
- (v) It is not affected by change in inflationary levels.

EXAMINERS'S REPORT

The question tests candidates' ability to use Capital Investment Appraisal Model in decision making.

About 70% of the candidates attempted the question.

Candidates' performance was fair as over 50% of the candidates scored 50% and above.

The commonest pitfall was candidates' inability to demonstrate a good understanding of the basic principle of Pay Back Period.

Candidates should lay more emphasis on Capital Investment appraisal while not neglecting other aspects of the syllabus.

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