THE FIJI Accountant

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CULTURE AND INNOVATION

CREATING INNOVATION

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CONGRESS 2012

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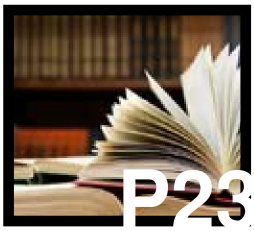
In this issue



President's Message

Welcome to the Congress issue of our quarterly journal. I am pleased to provide a message since my last update in Littera, in May.

Since inception, the FIA has progressively developed through a number of phases. It is now at a stage where it's financial viability is strong with, a strong and varied membership base. The Corporate Plan of the Fiji Institute of Accountants for 2007-2012 presented strategic priorities for each of the working committees of the Institute. We made excellent progress in certain areas however, progress in other areas, particularly the strategic ones, was slow.

For the Institute of our size, significant achievements in the plan period included the adoption of IFRS and IFRS for SMEs; the adoption of International Standards of Auditing; the development and implementation of a high quality education and member certification system; the adoption of IFAC Code of Ethics and, as a voting member of IFAC, compliance with IFACs Statement of Membership Obligation (SMOs).

There were areas in the Corporate Plan where progress was slow. These include building public trust; the regulatory reform of the FIA; strengthening the Institute's branding; providing leadership role in reforming financial reporting system in the Public Sector; refocusing the Annual Congress with a view to improve its profile and value and, strengthening and building capacity of the Institute to provide quality service to members.

These gaps have been identified through an independent and rigorous review of the Corporate Plan over the last three months. The Institute is committed to make an early and timely execution to close these gaps. The new Corporate Plan will be presented to members at the AGM. I invite members to support the plan to take the Institute into the crucial, next three years. I would like to thank the Council members for their guidance and courage in supporting bold initiatives outlined in the plan. My special thanks go to all members for their valuable input in the planning process.

We live in times of exponential speed in innovation dictated by rapidly changing lifestyles. As business leaders, it requires accountants to adapt to changes and take advantage of opportunities ahead of competition. This year's Congress has been themed on innovation and opportunities. I hope that the blend of topics in this year's Congress will prompt you to think new. I would like to take this opportunity to thank all the speakers at this year's Congress who have accepted our invitation to share their insights with us.

It has been a privilege and honour to be the President of the Institute for 2011/12 and I would like to wish the incoming President the very best for 2012/13.

Divik Deo
President

How to Create a *Culture of Innovation*

by Stephen Shapiro

I DEFINE INNOVATION AS AN "ORGANIZATION'S ability to adapt and evolve repeatedly and rapidly to stay one step ahead of the competition." A culture of innovation, when done right, gives you a competitive edge because it makes you more nimble with an increased ability to sense and respond to change.

A culture of innovation has less to do specifically with new products, new processes, or new ideas. There are of course discrete innovations such as the iPhone or a battery that is powered by viruses (MIT has developed this). These are valuable and necessary in order to create a culture of innovation.

But a culture of innovation is more than new ideas. It needs to be repeatable, predictable, and sustainable. This only happens when you treat innovation like you treat all other capabilities in your business. This means having, amongst other things, a defined process.

An organization's innovation process must achieve three things. It must:

- focus on the "right" challenges
- find appropriate solutions to those challenges, and
- implement the best solutions.

These translate into three "portfolios" an organization must create:

- A portfolio of challenges
- A portfolio of solutions
- A portfolio of projects

Let's take each one at a time.

A Portfolio of Challenges

All companies have challenges. They can be technical challenges on how to create a particular chemical compound. They can be marketing challenges on how to best describe your product to increase market share. They can be HR challenges around improving employee engagement.

An organization's ability to change (i.e., innovate) hinges on its ability to identify and solve challenges. Challenges are sometimes referred to as problems, issues, or opportunities. But at the end of the day, they are all just various forms of challenges. I will use these terms interchangeably here.

"If I had an hour to save the world, I would spend 59 minutes defining the problem and one minute finding solutions"
Albert Einstein

Where do you find these challenges? You can find them anywhere – from customers, employees, shareholders, consultants, vendors, competitors, and the list goes on.

Let's face it, companies have no shortage of challenges.

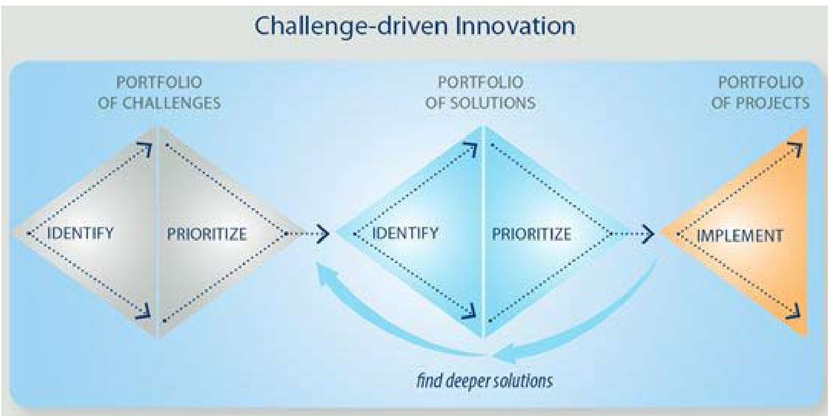
And guess what, some of the most important challenges to solve are hidden due to organizational blind spots and assumption-making.

The "meta-challenge" for all organizations is to find which challenges, if solved and implemented, will create the greatest value. Given that organizations have limited resources and money, prioritization is critical.

My favorite quote (used many times in this blog) comes from Albert Einstein – "If I had an hour to save the world, I would spend 59 minutes defining the problem and one minute finding solutions." Most companies spend 60 minutes of their time finding solutions to problems that just don't matter.

Therefore, the first step in creating a culture of innovation is to surface, identify, and codify challenges. And then you must become masterful at valuing, prioritizing, and framing these challenges.

Think of your innovation portfolio much like you would handle a financial investment portfolio. You want some safe bets (incremental innovation) and some riskier investments (radical innovation). You also want a variety of



innovations ranging from technical challenges to marketing challenges, and service challenges to performance improvement challenges.

Once you have the right challenges to solve, the next step is to find solutions.

A Portfolio of Solutions

Every challenge has multiple potential solutions. And there are multiple ways in which to find these solutions.

Some challenges are solved in the moment by the person who thinks them up. Most challenges in fact are solved this way. These challenges tend to be "unarticulated" in that they are not presented to the organization as a problem to solve.

Other challenges are more complex and require specialized expertise. You need to find the right person(s) with the right knowledge.

Others require less technical expertise and are solved through creative thinking. For each challenge, you need to first determine which mechanism would best yield a viable solution. Approaches include, but are not limited to…

- Internal Individual/Team: This is the most common way challenges are typically solved. This is when you use internal resources whose job is to solve these types of challenges. For example, this would be the development team members assigned to a particular product. They are paid to solve their product development challenges. Brainstorming is often the tool of choice.
- ***Internal Crowdsourcing:*** Sometimes the best solutions are found by people who typically do not work on this problem. It might be a customer service representative finding a great new branding idea. Or maybe it is tapping into R&D people who are in different parts of the organization. Sometimes this can be achieved through company-wide competitions.
- ***Outsourced (External Single Source):*** Some challenges can be solved (and potentially implemented) by a third party who takes ownership for delivering the result. Typically, outsource partners are found through some type of RFP process. eLance.com is a well-known example of a platform that matches specific challenges with bidders who are able to solve specific types of problems.
- ***External Crowdsourcing:*** Some challenges are best solved by a diverse group of external solvers who can independently work on a solution to your problem. In some circles, this is referred to as Open Innovation.

InnoCentive and 99Designs.com are two good examples of this. A How to Create a Culture of Innovation challenge is posted and solutions are provided by a wide variety of solvers.

These are only a few of the many approaches. If one technique (e.g., internal team) does not yield a workable solution), try a different approach (e.g., external crowdsourcing).

Regardless of which technique(s) you use, the result will be a portfolio of solutions for the given challenge. Depending on the technique you use, you may end up with a low signal to noise ratio. This is the ratio of a signal (what you want – that is, good ideas) to the noise (what you don't want – the duds). Your success is often based on your ability to separate the wheat from the chaff.

The next step is to strengthen and select the best ideas, combining them into a comprehensive solution. If you find a solution that works, the next step is to implement.

A Portfolio of Projects

The final attribute of a culture of innovation is the ability to take all of the selected solutions and turn them into programs/projects so that they can be converted from ideas into reality.

There are many ways of making innovation a reality. One approach includes "Build It, Try It, Fix It" – an iterative development process where you learn by doing rather than analyzing. This is particularly useful when there is a high level of uncertainty about customer interest. Other more "waterfall" type development approaches are more linear and rely heavily on

"When the pace of change outside your organization is faster than the pace within, you will be out of business."

analysis and testing (analyze, design, build, test, deploy).

Regardless of how you implement, without this step, you end up with lots of ideas on the cutting room floor, none of which create value.

During implementation, it is critical that you keep track of the value proposition for each project, having the courage to change direction, or, in some cases, killing ideas altogether.

Bottom Line

A culture based on surfacing, solving, and implementing valuable challenges can make innovation repeatable and predictable. This requires more than just a process, it requires an entire innovation capability [read my perspectives on the innovation capability].

My mantra is, "When the pace of change outside your organization is faster than the pace within, you will be out of business." And as we all know, today's pace of change is crazier than ever. A culture of innovation, when done right, can give you a leg up in a highly evolving marketplace.

During his 15year tenure with the international consulting firm Accenture, Shapiro established and led their Global Process Excellence Practice, delivering innovation training to 20,000 consultants. In 2001 he left the management consulting world to write his first book, 24/7 Innovation. He has since been featured in Newsweek, Investor's Business Daily, Entrepreneur Magazine, O - The Oprah Magazine, The New York Times, and other prestigious publications. He is also the author of Goal-Free Living and The Little Book of BIG Innovation Ideas. His next book is Innovation Personality Poker to be published by Penguin's Portfolio imprint September 2010. He has presented his own triedandtested formula for success to hundreds of thousands of people in 40 countries. Among the dozens of leading organizations he has advised are Staples, GE, BP, Dell, O2, Johnson & Johnson, Fidelity Investments, Pearson Education, Nestle, and BristolMyers Squibb. In addition to writing books and giving speeches, he is the Chief Innovation Evangelist for InnoCentive.

IFAC NEWS

Helping Small- and Medium-Sized Practices Meet the Challenges and Seize the Opportunities of Tomorrow

Interview with Giancarlo Attolini, Chair, IFAC Small and Medium Practices (SMP) Committee

How important are small- and medium-sized accountancy practices?

Small- and medium-sized practices or SMPs constitute the vast majority of accountancy practices worldwide and, in many areas of the world, are believed to employ the majority of professional accountants working in practice. SMPs provide a broad range of high-quality professional services—from the traditional audit, accounting, and tax services, to value-adding business advisory—to meet the needs of their clients who are typically small- and medium-sized entities (SMEs). SMEs are crucially important to the health and stability of the global economy: SMEs account for the for the majority of private sector GDP, employment, and growth globally, and, moreover, hold the key to the global economy's recovery from one of the deepest economic downturns in modern times.

IFAC recognizes that addressing the needs of SMPs and SMEs is important. And its members echo this sentiment. The most recent **IFAC Global Leadership Survey,** which polls the presidents and chief executive officers of IFAC member bodies, found that addressing the needs of SMPs and SMEs is the second most important issue facing the Global Accountancy Profession in 2012.

Why do SMEs often choose SMPs for various professional services?

Our global research as summarized in the IFAC information paper **The Role of SMPs in Providing Business Support to SMEs,** has indicated that SMEs look to SMPs for a range of professional services for various reasons, most notably their reputation for competency and trust, responsiveness, and geographical proximity.

Why did IFAC establish the SMP Committee? What is its role?

In recognition of the importance of SMPs, especially in supporting SMEs, IFAC created the SMP Committee in 2006. Since then IFAC, largely at the behest of its member bodies, has increased its commitment to helping cultivate robust SMPs. Today the SMP Committee supports SMPs in various ways. It does this primarily through IFAC member bodies—helping them support their SMP stakeholders. The committee develops guidance and tools and works to ensure the needs of the SMP and SME sectors are considered by standard setters, regulators, and policy makers. The committee also speaks out on behalf of SMPs to raise awareness of their role and value and the importance of the small business sector overall.

What changes do you see in the global landscape in so far as SMPs are concerned?

The global economy has changed a lot in the past few years and the accounting industry has not escaped these changes. Hence, it's no surprise to find that SMPs are facing a changed economic and regulatory landscape—one characterized by significant challenges, but also with great opportunities if the results of the fourth quarter **IFAC SMP Quick Poll** are anything to go by. The poll revealed that regulatory burdens and economic woes continue to top the list of challenges faced by SMPs and their small business clients. Of course, the overall results mask some significant regional variations. But a key lesson, if there is one, for SMPs is that they are best placed to thrive in the new global economy by changing with the times.

What are the key challenges that SMPs are facing?

The fourth quarter IFAC SMP Quick Poll pulled in over 2,400 responses from around the world thanks to the promotion efforts of many IFAC member bodies. In all regions barring Europe, burden of regulation ranked as the top challenge faced by practitioners' small- and medium-sized entity clients. Meanwhile, economic uncertainty ranked as the top challenge in Europe. When accountants were asked to name the biggest challenge facing their practices, keeping up with new standards and regulations ranked first, followed by attracting and retaining clients in almost all regions (in Asia, these top two were reversed).

The poll showed that respondents were generally more positive about 2012 compared with 2011, though Europeans were noticeably less optimistic about the future than those from other regions. As the global economy starts to pick up, SMPs should adapt to capitalize on the emerging opportunities.

How can SMPs best overcome economic uncertainty and other challenges?

While SMPs are facing significant challenges, the poll showed that respondents were generally more positive about 2012 compared with 2011. As the global economy starts to pick up, there will be emerging opportunities and SMPs should be ready to adapt to embrace them.

First, boost marketing and promotion efforts – According to the poll, growth in practice fees will be driven primarily by winning business from new clients. This will demand more and smarter promotion and marketing efforts that should focus on what distinguishes SMPs—as mentioned before, most notably their reputation for competency and trust, responsiveness, and geographical proximity. Accounting and compilation services are perhaps worth special focus as poll respondents saw this as the fastest growing source of revenue, and the marketability of compilations should increase with the release of the International Auditing and Assurance Standards Board's **new standard on compilation engagements.**

Second, focus on advisory/consulting services – These services, ranging from tax consulting and financial management to newly emerging services like wealth management and advice on sustainable business practices, are a crucial growth area for SMPs. The poll found it was the second fastest growing source of revenue after accounting and compilation. But perhaps most telling was the finding that insufficient partner time and marketing services to clients jockeyed for the position as the top challenge in building advisory/consulting services work. This suggests SMPs need to free up partner time to make it work, perhaps use value-based pricing to ensure a good return, and, as mentioned previously, increase their marketing and promotion. The poll also revealed that an existing client relationship is the main reason that SMEs seek advisory/consulting services, suggesting practices should, where ethical rules allow, promote them to existing clients.

In what ways has the world changed and how can SMPs change with it?

First, internationalize - Cross-border trade, in goods and services, and investment is growing exponentially and great advances in transportation, IT, and communications infrastructure are making the world a smaller place. As a result, SMEs are increasingly doing business internationally. SMPs will, therefore, need to internationalize themselves if they are to effectively support these SMEs. A good place to start is to have a strategy, which might include joining an international network or association of practices, possibly to affiliate with a national firm with international connections. The value of an international network or association comes from the local knowledge that member firms can offer to clients. This means even a small practice can help a client go global and may help the practice retain clients that might otherwise choose a larger firm.

Second, exploit emerging technologies – Emerging technologies like cloud computing offer the opportunity to both increase your practice's service offerings and, generally, do more with less. From a remote location, SMPs can now provide SMEs with a full range of services, from basic book-keeping and payroll to virtual CFO, in a way that is safe, secure, and more cost effective than traditional face-to-face delivery. SMEs can thus enjoy many of the same benefits of having an in-house professional accountant that larger entities enjoy.

What are the potential implications for policy makers, regulators, and standard-setters?

Even at a time of global economic uncertainty, concerns around regulation and standards are still uppermost in the minds of SMPs and SMEs for whom compliance may be disproportionately burdensome. And according to an earlier poll, the nub of this concern seems to be the pace or speed with which regulation and standards are changing, more than complexity and volume. Regulation is intended to bring benefits, for example by helping markets operate fairly and efficiently. We somehow need to ensure that these benefits outweigh the burden and are widely recognized. IFAC has spoken out on these issues. IFAC believes that regulatory reform should not create unreasonable obstacles for the progress of SMEs: costs and complexities that will impose burdens on, and threaten the sustainability of, the small business sector must be carefully examined. In addition, international standards should be applicable, accessible, and cost-effective for SMPs and SMEs. The committee plays a pivotal role here by stressing the need for a stable platform of regulation and standards that are relevant to SMEs and SMPs and capable of being applied in a manner proportionate to size of practice or entity.

What role can individual SMPs play in shaping the global policy, regulation and standard setting agenda?

While an individual SMP may feel that it is too small to make a difference or that it lacks the capacity to contribute in a significant way, it needs to be remembered that the strength of the SMP voice comes from their sheer numbers. Therefore, it is important that we all play our part, no matter how small, and get involved in some way, be that by writing a comment letter on an exposure draft, responding to a survey or poll, or participating in the initiatives of the SMP Committee. The challenge, however, is to ensure one cohesive, clear, and collective message. The SMP Committee aims to act as a mouthpiece for the voice of SMPs. The committee has an online Discussion Board and conducts regular polls, which we encourage our member bodies to promote to their SMPs so that we can channel the voices from a global representation of this sector.

See www.ifac.org/SMP to learn more about the IFAC SMP Committee and its support for SMPs through collaboration with IFAC member bodies.

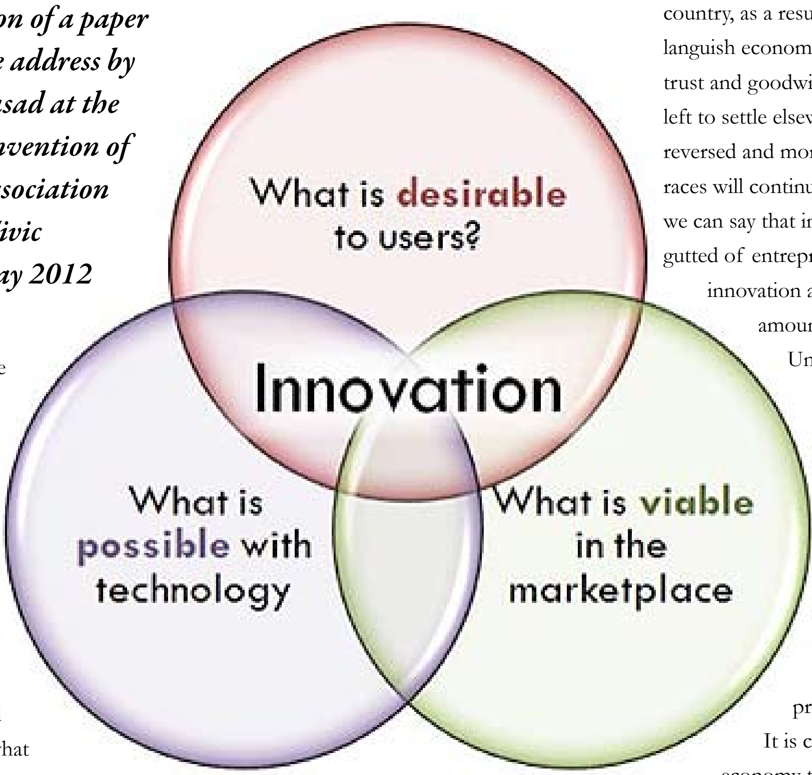
About Giancarlo Attolini

Giancarlo Attolini became chair of the Small and Medium Practices Committee in January 2012 having served as deputy chair in 2010-11. Nominated by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (CNDCEC), he has been a member of the committee since January 2008 and served as deputy chair in 2010.

Creativity and Innovation in Education: Fiji's Future

By Biman Chand Prasad, Professor of Economics and Chair of the Oceania Development Network, The University of the South Pacific

This is an edited version of a paper delivered as a Keynote address by Dr Biman Chand Prasad at the Annual Delegates Convention of the Fijian Teachers Association (FTA) held in Suva Civic Auditorium on 1st May 2012



The theme of your conference "Creativity and Innovation in Education: Fiji's Future" for 2012 is critically important and one that reflects new thinking that needs to go into making future education policies in Fiji. Let me briefly go back into history before I delve into the issue of creativity and innovation in education and what that means for the future of Fiji.

Brief History

Fiji's independence in 1970 saw the ushering in of a new era. One filled with hope and glory. With the hope and glory accompanied developments which to some extent define the state of our education today. If we did a stock take of the first decade of our independence, we would feel very satisfied with the speed of developments in this country, including the development of infrastructure for health and education. Economically we were on a growth trajectory which would have delivered significant prosperity for all the people of this country. In fact in the first decade of independence we were better than some of the now well developed and prosperous upper-middle income economies. One such comparison is often made with Mauritius. Around 1986, Fiji was better or the same as Mauritius on a number of development indicators. Mauritius grew on average of more than 5% for more than 25 years. As a result, it has today some of the best indicators of development. For example, about 87 percent of Mauritians households own homes, there is free education to all from pre-school to the University, and free health services including heart surgery for every citizen. There are a number of explanations offered for this kind of success: good and consistent economic policies, political stability and no coups because there is no military in Mauritius, and robust Mauritian democracy that has allowed the flourishing of talents, entrepreneurship and creativity based on an identity of excellence. Mauritius is a multi-religious, multicultural and multi-lingual society so it has much in common with Fiji. Our country, as a result of the coups, continues to languish economically. We lost the confidence, trust and goodwill of our citizens and many have left to settle elsewhere. The trend has not reversed and more qualified Fiji citizens of all races will continue to leave the country. In fact, we can say that in the last 25 years, Fiji has been gutted of entrepreneurship, talents, creativity and innovation and along with this, huge amounts of savings and capital. Unless this trend of declining confidence in the country is reversed we are likely to continue to suffer economically. If, however, we do reverse this trend, Fiji can bounce back very quickly. This would be helped if our education system continues to nurture and promote creativity and innovation. It is creativity and innovation in our economy that will help us to grow, create employment for our youths and help reduce poverty. Economic prosperity is vital for stability and social cohesion in Fiji.

Definition of Creativity and Innovation

What is creativity and Innovation? There seems to be a puzzling variety of definitions of creativity and innovation and I am not going to delve into all of them. However, as an economist, I will try and stick to definitions in the field of economics and relate them to what it means in education. Creativity to economists is a process or activity leading to certain kinds of results and often this is measured in the form of inventions that come out of it. Innovation is defined as the exploitation of new ideas arising from creativity and how it is used in the market place.

Creativity and Innovation in education therefore can be seen as a generation of ideas, models etc. to improve the quality of outputs that come out of schools, colleges and Universities which can support economic and social development in the country. The National Center on Education and the Economy report (US) of 2006 raises some fundamental questions about creativity and innovation . They are as follows:

1. What do we know about the sources of creativity and innovation in individuals?
2. What do we know about curricula and pedagogical techniques that have proven effective in promoting innovation and creativity through formal and informal education?
3. What do we know about techniques that have been proven to stimulate creativity and innovation in workplace?
4. What is it about the nature of our culture, our society and our economy that makes our country more creative and innovative than others?

These questions are very relevant and we ought to ask the same questions if we are to move towards developing better creativity and innovation in education here in Fiji. Before I try and answer some of these questions let me say a few words about the role of education in development.

Role of Education in Economic Development

The broader issue of the role of education in economic development is now at the centre stage of education policies in most countries which see education as the driver for economic development. While people generally everywhere believe that education is beneficial for themselves and their children, there is a much bigger awareness about the correlation between education and income. On average the more educated people are, the higher the earnings for themselves and their families. In addition, there is a clear correlation between national income levels and educational attainment. More specifically, the contribution of education to economic growth is generally found to be positive and significant. Economists such as Adam Smith, John Stuart Mill and Alfred Marshall, long ago recognized the fact that education was good for growth. It was Alfred Marshall who said the following and I quote: "There is no extravagance more prejudicial to growth of national wealth than that wasteful negligence which allows genius that happens to be born of lowly parentage to expend itself in lowly work. No change would conduce so much to a rapid increase of material wealth as an improvement in our schools, and especially those of the middle grades, provided it be combined with an extensive system of scholarships, which will enable the clever son of a working man to rise gradually from school to school till he has the best theoretical and practical education which the age can give" (Marshall, 1920, p.176).

Education also contributes to poverty reduction, improvement in income distribution and improvements in demographic and political development. In economics we talk about positive and negative externalities of achievements and outcomes but for education we can say are only positive externalities. For example, the increased productivity of workers and co-workers and a general rise in the skills of the labour force will generate further innovation, adaptability to new situations and entrepreneurship. Education at all level is important for economic growth.

Rapid Global and Regional Economics Changes

Fiji like most developing economies has under gone structural changes and will continue to face rapid -economic and social changes in the future. From being a largely agricultural country in the 1970s and 1980s, Fiji's economic structure changed rapidly in the last two decades where it has become a more service and trade-oriented

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country. For example the contribution of agriculture to GDP is down to about 10 percent from as high as 20 percent two decades ago while the manufacturing and services sector's contribution has increased substantially. As a result of these changes labour market needs have been changing as well and this has to be reflected in the future education policies of Fiji? The ability of our economy to integrate into the regional and global economy will require us to become more competitive and creative. We live in a competitive and sometimes unforgiving world and if we do not raise our levels of efficiency and competitiveness as an economy, we will be left behind, just as Mauritius left us behind. In fact, the first creative economy report by United Nations Conference on Trade and Development (UNCTAD) proposes how countries can create new industries and become globally competitive through trade and hence increase their national economy .
UNCTAD (2010) definition of the creative economy is an evolving concept based on creative assets potentially generating economic growth and development. These include the following:

- It can foster income generation, job creation and export earnings while promoting social inclusion, cultural diversity and human development.
- It embraces economic, cultural and social aspects interacting with technology, intellectual property and tourism objectives.
- It is a set of knowledge-based economic activities with a development dimension and cross-cutting linkages at macro and micro levels to the overall economy.
- It is a feasible development option calling for innovative, multidisciplinary policy responses and inter-ministerial action.
- At the heart of the creative economy are the creative industries.

It is therefore worth referring to that report briefly. The 'creative industries' are defined "as the cycles of creation, production and distribution of goods and services that use creativity and intellectual capital as primary inputs. They comprise a set of knowledge-based activities that produce tangible goods with creative content, economic value and market objectives". Some of these include activities like traditional art and crafts, publishing, music, visual and performing arts, technology intensive and service oriented industries such as film, television, radio broadcasting, sports and recreation and new media and design. According to the report, creative industries today account for about 3.4 percent of total world trade, with exports reaching about $424 billion in 2005, $595 billion in 2008. Global economic changes are creating new imperatives for us locally and this requires our education system to respond to them through constant changes and adaptation of what we teach our students. This trend offers some exciting possibilities and our educationalists should be prepared for them.

Let me now go back to the questions I posed earlier. What are the sources of creativity and what is the environment in which we can achieve those?

Environment in which creativity and innovation can be achieved
When we talk about creativity and innovation, we need to be aware of the context and environment in which this can happen. The literature on creativity recognizes the paradox about the process of creativity. One aspect of that is that it requires both introversion and extroversion. It has been established through research over so many years that a creative person must have autonomy yet must also connect to the wider society both locally and internationally for ideas. She or he must develop a delicate balance between obedience and disobedience. Psychoanalyst Otto Rank believes that there is always a tension between the two desires of individuation and identification . Individuation gives one the ability to develop ones independence and become creative while identification with others to share experiences and togetherness can sometimes inhibit creativity. Therefore the environment in which our students study can determine whether they become conformist or creative and productive types.

Did we provide this environment for our children? The answer is perhaps not. Again, I go back to our history before we can look forward. Since 1987 we have created a culture of fear based on ethnicity and how ethnic identity can or cannot define one's talent or capability for a position. We compromised meritocracy at all levels in the civil service to satisfy other agenda and criteria of politicians who wanted power at any cost. In some ways the two teachers unions have also perpetuated the ethnic divide and ethnic dimensions to recruitment and promotions within the school system. Our societies and communities which ran schools also perpetuated the ethnic dimensions in the school system. Here, I wish to congratulate Minister Filipe Bole and the Bainimarama government for at least moving to symbolically remove the ethnic dimensions to the naming of the schools and introducing zoning of the schools. Lot more, however, remains to be done to remove ethnicity from the education equation in Fiji. There is no place for mediocrity in the education system perpetuated through ethnic considerations. If we want quality, creativity and innovation in education we need to move towards a culture and identity of excellence in our teachers and students.
Creativity and innovation also require a free and democratic environment. School administrators, teachers and students need the academic freedom to articulate different views, engage in free discourses and debate on important issues affecting the country and those beyond the national borders. It is critical for our future that we get back to a free and democratic environment in 2014.
In addition we must also review critically the teacher education programmes offered by our three universities in light of the mandatory inclusion of creativity and innovation at the tertiary level. Achievement of these outcomes demands programmes, orgaisational structures and staffing that can effectively contribute to the professional formation of our future teachers. It is timely that we address this urgently without reference to ethnicity, gender and personal biases at all cost.

Directions for Policy
Fiji no doubt has a well-developed education system. We have almost 100 percent enrolment at primary school level. We could do better at secondary and tertiary level. For example, there are high levels of drop-outs at the secondary levels. The analysis again by Professor Wadan Narsey shows very high drop-out rates for children from very poor families. At the secondary school level for (Forms 6 and Forms 7) the percentages at school drop to a much lower 55 percent for the lowest three deciles, contrasting with around 72 percent for the top three deciles.

For those aged 19 to 21 (usually associated with tertiary education), the percentage at tertiary institutions is an extremely low 27 percent for the children of the families in the bottom 3 deciles, compared to around 44% for those in the top 3 deciles. However, for the future we will also need to look at the quality and relevance of our education system.

First, we need to work towards developing a national education policy framework (NEPF) which carefully articulates the barriers to quality, creative and innovative education system. Based on the NEPE develop a long-term plan, preferably for the next 20 or 30 years. This would ensure a collective vision (keeping in mind the fast changing economic environment) which can be pursued by different governments. Secondly, we should consider the curriculum at the primary and secondary school levels to promote creativity and innovation. Budgetary allocation and rewards for schools which promote creativity and innovation in the schools would provide the appropriate incentive. Between 2000 and 2009, the average expenditure on education has been 18% of total expenditure and 5.7 percent of total GDP. This is closer to the OCED benchmark for appropriate levels of expenditure. If we use this measure then we can say that Fiji has been committed to making appropriate levels of investment in to the education system. However, if we want to specifically promote creativity and innovation in our education system we have to consider investment both at our primary and secondary school levels. If we take 2009 as an example, we could by increasing the budget as a percent of total expenditure of 4 percent, ($62 million) we could on average allocate about $70,000 for each of the 893 primary and secondary schools especially for creativity and innovation related activities. This would allow teachers to introduce to students very early the idea of creativity and innovation and how this could be useful for them and for the country economically. We should also consider special centres of excellence where those displaying creative talents could be nurtured further.

For this to happen, we need creativity in the classroom . Students in the classroom are more creative when they have the opportunity to question and challenge, make connections, explore ideas and be critical of each other. We also need creative teaching and this means that teachers are able to use methods to make teaching more enjoyable and imaginative. It means teaching creatively and teaching for creativity. For both classroom creativity and teaching creativity we will need creative teachers. Teachers can encourage creativity by providing time to students, creating the right environment and ensuring that the right materials and resources are provided to the students. The provision of Information and Communications Technology (ICT) services to students and teachers can help and play a pivotal role in transforming Fiji into a knowledge-based creative economy. In fact the Ministry of Education should develop some monitoring mechanisms to understand whether students and teachers are being more or less creative and innovative overtime. There is a need for a study in this area. As teachers we must be willing to discuss innovations in education with an open mind, and a willingness to accept changes which may not please all the members. Teachers unions must become proactive and encourage reform of the Fiji curriculum and not just leave this to the Ministry of Education and foreign consultants. Thirdly, the government needs to re-visit its decision to reduce the retirement age to 55. It should take it back to 60 as we need experienced teachers and administrators to promote better and innovative educational standards. The analysis in 2010 by Professor Wadan Narsey showed that 27 percent of primary school Head Teachers and Assistant Head Teachers will reach 55 by the year 2016.

Similarly, in 2010 it showed that 25 percent of Secondary School Principals or Assistant Principals will reach 55 by the year 2016. These figures show that we could face serious leadership issues in the future and I believe the problem is already surfacing and I believe very inexperienced people are already being thrust into leadership positions. It is expected that the average experience of teachers both at the secondary school and at the primary schools level will be further reduced in the next five years. The reduction in retirement age combined with the continued migration of senior teachers does not augur well for the future teaching capacity in the school systems. The argument that early retirement makes way for younger teachers and will reduce unemployment is flawed. In fact it works counter to the efforts to recruit talented and smart people into the teaching profession. Those thinking about becoming teachers will explore other options in the private sector where they could be assured of a longer term employment beyond 55. We cannot ignore the fact that creativity and innovation cannot be realised without experience. Teachers need several years of experience behind them to know the past in order to teach for the future; inexperienced teachers cannot do this well. In addition, as country we need to review the terms and conditions of our teachers so that we can further incentivize and motivate our teachers to give the best and also to attract the best in the profession.

The views here are of the author and not of USP where he works.

TRICKS for getting (*and staying!*) fit at work

Despite the best of intentions many of us claim that we just don't have time to exercise. We're overloaded with more and more responsibilities between work and family, leaving very little free time to hit the gym. BUT there are simple things that you CAN do that require very little time – and you can even do some at work!

Change your commute

If you drive to work park in the corner farthest away from your office, if you catch public transport get off at a stop a little earlier and walk just a little further. Better yet walk or bike if you live within riding or walking distance from work. Most health organizations recommend people do at least 10,000 steps per day for health – however most of us struggle to take 4000 in a day. Grab a pedometer and start adding up your step count by walking just a little further to get to your desk.

Move it

Not by walking around the office all day (because you'll never get any work done) but by standing while taking a phone call, use the stairs instead of the lift, stand up and walk on the spot to get your legs moving every 30 minutes. New research has shown that people living a sedentary lifestyle are at more risk of developing Diabetes and other NCD's.

Pack your lunch

A couple of extra minutes in the morning (or do it the night before) will save inches off your waist line – not to mention dollars in your pocket! By packing a healthy nutritious lunch you will be fueling your body with all the right things to keep you alert and energized through the day – you'll also be less likely to buy that greasy, sloppy takeaway on the corner….

Have a cool jug of fresh water and glass sitting on your desk

A lot of the time we confuse hunger with thirst, if you start to feel the mid morning/afternoon itch for something sweet poor yourself a glass of water first and wait for 10 minutes for the craving to pass. By also having the jug on your desk you'll be able to keep track of how much water you drink in the day (Aim to drink 2 litres each day).

Find a workout buddy

Chances are there are a few people in the office that are feeling the same as you – organize a lunch break walk – 30 minutes 3 times a week will make a huge difference. However if you can hold a full conversation with your friend while walking you aren't pushing yourself, you'll need to walk a little faster. If you don't want to get all sweaty while at work, go as soon as you finish for the day – take your workout clothes with you, don't go home to change or you'll find excuses.

Book in a 'Meeting' with your personal trainer Block it out in your diary the same way you would an important client or board meeting. If you have an appointment with someone it makes it harder to find excuses not to go. Make this meeting a priority once a week - a commitment to yourself.

The Power of Planning

By Ingrid Cliff

Every great invention, every work of art, every new innovation all starts with a thought. Thoughts are the most powerful forces in the universe - with the right thoughts and right focus you can achieve anything that you want to in life and in business.

So how do you tap into this power? In business just like in life you need to start with the end picture in mind. What do you want your business to do, be or achieve? Without this clarity all you will get is mixed results and muddled outcomes.

One way to help gain clarity is through a strategic planning exercise with your team. This is where you talk through where you are headed and identify the broad signposts along the way to help you know that you are on track. Now this can be a rote exercise of filling in the blanks on a planning document or it can be a time full of purpose, meaning and power. You choose.

If doing a strategic planning exercise, start with getting clarity about the current state of play of your business. Be brutally honest - what is working, what isn't, and what could you be doing better.

Now have a look at what your business could be in your wildest dreams. Look at possibilities and highlight the successes of other companies and people to expand

your view. Next expand your view to what is possible at an industry level and at world level. Get excited by the wonderful potential that is in your business. It's like taking a balloon and then gradually inflating it to expand its size and potential.

From this input, create a simple but meaningful (to you) description of what your ideal business will look like, feel like and be like. Why are you here? What is the purpose of your business?

If you find that you can take out your company name of the description and it could be any business - then you have not captured the heart or essence of your business. If your only purpose is to make money - then you are limiting your potential and it will not satisfy you in the long term.

The most powerful and profitable businesses have an element of service, of giving or sharing in some way. What makes your business different and unique? What makes your heart sing about your business?

Unless you and your team can feel the power of your words, you have not "got it right". Keep working and talking until your description of your business makes your heart leap and you get excited thinking about the potential. You will get a "that's it" feeling much like a metal detector does when it finds gold.

The next challenge is to work out the signposts on the way to your dream by distilling a handful of key areas of focus. These signposts need to be easily identifiable to help you know that you are on the right path.

Work out up to 5 key areas of priority - this could be increasing customers by 5%, retaining 95% of existing customers, introducing a new product or service or whatever is relevant to you. These areas of priority or your goals need to be tangible, measurable, achievable and written in the positive.

Long lists of projects and tasks will only scatter your energies and overwhelm you and the team - so think bigger. If you try and plan every tiny detail, you don't allow room for creativity, growth and miracles to occur in your business.

I suspect people intuitively know this. I have lost count of the planning groups and exercises I have run or been a participant at, that when the part of the day gets down to tiny actions and responsibilities that energy flags and attention wanders. At this stage keep your horizon bigger rather than smaller. Only go for closer detail when you are one on one with relevant staff another day. Write your areas of focus down. Keep these goals visible by your computer where you can see them every day. Each day visualize yourself achieving your business goals and how this will feel for you and the team and the most important thing - take action! Every week, do at least one thing to move you towards each of your areas of priority.

One word of caution - a great business vision and plan will not fly unless your perception and beliefs about your own capabilities either match or have expanded with the vision. Part of every planning exercise needs to include an element of growing your own belief of your personal capabilities and seeing yourself as having the potential to personally achieve your dreams.

The reality is - if you can dream it, you have the potential inside you to achieve it. If you are finding a mis-match between your dreams and your view of your potential, then have a chat with a professional coach, counselor or healer to help you take that step into who you can be.

So, start your planning for your future. Dream big, plan big and you will surprise yourself with the results you will achieve.

Ingrid Cliff builds Great Businesses through effective People and Communications. Find more tips on how to make your business great at www.heartharmony.com.au

What Innovation Can Do *for* Your Life

By Lou Bonaventura and Robin Bonaventura

The power of innovation is a talent that everyone has, yet they don't they do. If you've ever marveled at somebody's creative prowess and thought to yourself, "I wish I could be like that." Guess what, you can create and innovate too! It just takes time. Everyone is born creative. The boxes of crayons in kindergarten were not limited to those who possessed potential. The truth is everybody has potential; it just needs to be nourished.

You know how long it took to learn to ride a bike or drive or to never commit the same mistake again? It's the same with innovation. It takes a bit of practice and a lot of time before this mind function comes easily when called. This article will teach you a few tips on how to bring innovation into your life.

Don't listen to what other people say. Follow the beat of your own drum. Jim Rohn says "Be unique!" Always allow for the input of other people, but don't allow it to bring disharmony to the masterpiece you are trying to create. If you have an original idea, don't waste your time and effort trying to make people understand. Usually they won't get it and the help you get will probably come in the form of negative feedback. If all those past geniuses listened to their peers, we would probably still be living in the middle ages.

Spend time on it. I can't stress this enough, although, please don't mistake this as me telling you to quit your day job. Don't! This involves some time management, but with a little discipline you'll be able to squeeze both in.

Exercise; take a walk, run a mile or two. Send all those endorphins coursing through your veins. Exercising certainly clears and relaxes your mind and allows for the creative juices to flow.

Record your dreams. Keep a notepad next to your bed on the nightstand. When you wake up, write down everything you remember from your dreams right away before you forget them! Aren't some of them just the craziest things that your conscious mind would never have thought of? If you've had these dreams before, and I'm sure have, this only shows you the untapped innovative power you have lying within. So jot down those notes. Those dreams may just create an innovative spark in you.

Find your own style. You can always tell a Van Gogh from a Matisse. You'll know Hemingway wrote something by the choice of words on the paper. It's the same with all of us. People will appreciate your innovativeness more because it is uniquely yours and no one else would have thought what you were thinking. That will let people see what a valuable asset you are.

Don't hide behind nifty gadgets or tools. You don't need the most expensive set of paints to produce a masterpiece. The same way with writing. You don't need some expensive fountain pen and really smooth paper for a bestseller. In fact, J.K. Rowling wrote the first book of the Harry Potter Series on bits of tissue. So what if you've got an expensive SLR camera if you're a crappy photographer? Who cares if you've got a kick-butt laptop if you can't use it to its full potential? The experienced artist actually reduces the number of tools he has as he gets better at his craft: he knows what works and what doesn't.

Nothing will work without passion. What wakes you up in the mornings? What keeps the flame burning? What is the one thing that you'll die if you don't do? Sometimes people with talent are overtaken by the people who want it more. Ellen Degeneres once said that if you're not doing something that you want to do, then you don't really want to do it. And that's true. Sometimes you just want something so bad you become virtually unstoppable. And that is passion. Passion will keep you going, no matter what. You just have to want it bad enough. Find your true passion and see how innovative you become trying to reach your goal!

Don't worry about inspiration. You can't force it. Inspiration hits when you least expect it. You need to be prepared for those unpredictable, yet inevitable moments. An idea could strike you on the subway, yet alas, you poor unfortunate soul; you have no sheet of paper to scribble down a thought that could quite possibly change the world! Avoid these disasters; have a pen and paper within your arm's reach at all times.

I hope this article has helped you realize the innovative potential in your life. Keep in mind that you're doing these things for your own satisfaction and nobody else's. But soon, others will begin to take notice, and everything will snowball from there. Just don't ever quit and don't ever, EVER let anybody steal your dreams!

Lou and Robin Bonaventura have been Professional Network Marketers for the past 4 years. They attribute much of their success to daily personal development and continual learning.

Letter to the Editor

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The Editor

The Fiji Accountant (Journal)

PO Box 681

Suva

Dear Editor

CORPORATE GOVERNANCE AT FNPF

The feature by Dharmendra Naidu and Arvind Patel is to be commended for revealing the status of Corporate Governance at FNPF. May I add couple observations?

The authors concluded that "the gradual decline in interest rates indicates that the members are slowly experiencing a decline in their pension wealth". When we take into account the effects of inflation exceeding the interest rate credited to the members, we will realize that the members will not even be getting the value of funds they invested!

They have also commented that "The decline in earnings can be attributed to many factors including poor management .." I have come to know where FNPF has lent huge amounts to a company practically controlled by past directors at 6% per annum with, I believe, with an option to buy out the remaining shares under an agreement! No wonder that interest rates are coming down!

Ramani

RECEIVED
30 APR 2012

SATYAMEVA JAYATE सत्य मेव जयते TRUTH SHALL PREVAIL

Business *Analytics Drivers* Better Business Results

By Avinesh Krishna, Daltron Fiji

In the coming year, many organizations will shift their emphasis to business growth. However, continued economic volatility means that they will also need to keep costs in check to maintain healthy margins. Since many businesses have already slashed many costs and economic uncertainty will limit opportunities for price increases, businesses will need to cut costs by improving efficiency. Many small-to-midsized businesses (SMBs) are investing in business intelligence (BI) solutions to assist with this effort.

For organizations to boost outcomes in this new environment, they must become smarter. Executives must make smarter decisions about strategy. Managers must make smarter decisions about resources and tactics. Individual employees must make smarter decisions about where to focus their energy and time. Further, decisions of all types must be made, carried out, evaluated and optimized more quickly than ever before.

The way to better decisions is through better business insights. And the way to better business insights is through business analytics.

The need for Business Analytics

In recent years, business leaders have identified business analytics as a strategic priority. The reason is simple: business analytics drives better business outcomes.

Business analytics delivers actionable insights about every aspect of business performance, whether this means current results, new trends in customer behavior, or emerging competitive threats and market opportunities.

Business analytics can also increase the efficiency and effectiveness of core business processes and contribute to the creation of high-performing "analytics-driven" organizations. Consider these findings from recent findings:

- Business analytics improves business strategy and decision-making. "Standout" CEOs – those who perform well in both good and bad economic conditions – are 16 percent more likely than other CEOs to use iterative strategic planning processes than formal annual reviews. They are also 54 percent more likely to favor quick decisions, despite pervasive economic ambiguity
- Business analytics drives consistently better financial results. High-performing CFOs reported growth in revenues of 36 percent or more, a 15 percent greater return on invested capital and twice the rate of growth in EBITDA (earnings before interest, taxes, depreciation and amortization).3 These "Value Integrators" apply more forward-looking insights across the enterprise, from strategic planning to operational optimization, and use them to manage risk, reduce costs and spot new opportunities.

Business analytics addresses three key questions: How are we doing? Why? What should we be doing? By supporting decision-makers as they seek those answers, business analytics software and solutions enable organizations to:

- Spot and analyze trends and anomalies
- Assemble and interact with relevant information
- Compare "what-if" scenarios
- Measure and monitor business performance
- Predict potential threats and opportunities
- Plan, budget and forecast resources
- Assess and manage risk
- Automate decisions where appropriate
- Align strategic and operational decisions
- Engage in social conversations with customers

BI also makes it fast and easy for people throughout a small-to-midsized organization to use existing transactional data to answer critical business questions.

These questions can be:

- Historical—"What were the results from this sales promotion?"
- Strategic—"Should we expand our operations?"
- Ad hoc—"How will a rise in the price of gas increase overall transportation costs?"

Benefits of becoming analytics-driven organization

Organizations strengthen their ability to improve outcomes and achieve their goals with every step they take toward greater analytics maturity.

As they move to integrate analytics with their decision-making processes, organizations find they can act less on "gut feel" or fear and more on insights drawn from a rigorous and ongoing analysis of what works and what doesn't. Individual performance, decision effectiveness and core business processes can be quantified, analyzed and optimized, with outcomes provided in a feedback loop for continuous improvement.

Further, analytics-driven companies excel at sharing these insights more broadly across teams and functions to create a rich and ever-growing body of knowledge. In doing so, they are building a commonly shared store of information and insights that they can apply to achieve competitive advantage.

Achieving competitive advantage

Business analytics can be used to strengthen competitive advantage by addressing the unique needs of different departments. For example:

- Customer Relationship Management- Identify factors contributing to customer defection or churn, then plan and implement strategies to retain valuable customers.
- Sales- Compare sales performance by product, region or representative, and predict where additional effort and resources are most likely to bring in more revenue.
- Marketing- Micro-segment audiences for cross-sell and up-sell, based not simply on demographics but also on behavior and buying propensity, for higher return on marketing spend.
- Operations- Spot opportunities to control costs and find efficiencies in supply chain, logistics, maintenance and other key processes.
- Human Resources- Analyze talent and requirements and anticipate needs, proactively optimizing staffing mix.

Today's business environment puts immense pressure on Finance and IT teams to support the business with the resources and technologies needed to compete successfully. Finance must govern access to sensitive financial data and foster more dynamic performance management processes to ensure compliance, minimize risk and control costs. IT departments are under pressure to drive cost-effective on-time deployments that are reliable and scale to meet growing needs. To summarize these challenges:

- **Finance**- Manage essential processes such as consolidation, close the books and budgeting more efficiently, allowing more time for high-value activities such as developing predictive scenarios and making strategy recommendations.
- **IT-** Deliver timely, efficient information and applications that meet the changing demands of the business. It is clear that, to optimize business outcomes, organizations must meet the growing demands of the business leaders while balancing this with the organization's need for a lower total cost of ownership, enterprise governance and control.

So in conclusion, organizations are constantly looking to improve their operational efficiency to produce better business results in this competitive market and increasing customers' demands. If your organization is planning to implement a BI solution and take the business to next level, please choose it carefully as there are many BI solutions available in the market and it can be a costly exercise if it's not done right.

It is highly recommended to have an executive sponsor and a BI strategy in place before you start evaluating any vendors and have a great engagement processes with vendors who understand your business pain points well. Remember it's your business so choose what makes a good business sense for you now and in future.

The Performance Paradox

By Stephen Shapiro

Every organization dreams of finding the magic bullet that will increase creativity, boost productivity, and improve morale. Surprisingly, some of the best solutions are counter-intuitive and run against conventional wisdom.

Keep Your Eye on the Present

A few years ago, I worked with a Formula One racing team. Pit crews, consisting of 19 people, service these ultrafast, high tech racecars, refueling, changing tires, and performing required maintenance in a matter of seconds.

They continually shift positions to find the best combination for the optimal configuration of the team. As they practice, a stopwatch measures their time to milliseconds. Ultimately, no matter how hard they tried, they couldn't go any faster. They hit their performance plateau.

Then, they tried NOT to concentrate on their time but on their style instead. While advised to go fast, this time their movements were more significant than their speed. Astonishingly, the crew shaved several tenths of a second off their best time even though they "felt" they were slower. This experiment, in itself, reinforces the concept that the more you focus on your goals, the less likely you are to achieve them. By worrying about the future, you take your eye off the present.

In higher intellectual activities, the results are even more pronounced.

Take the true story of a high school student who became increasingly anxious over passing her upcoming final exam in math, always her weakest subject. She studied incredibly hard, all the time focusing on her goal to pass her exam. In spite of her efforts, she failed. She pleaded with her teachers to give her one more chance. They did. This time, instead of concentrating on the goal, she used a powerful creativity technique. Her first conscious thought each day when she awoke was to visualize herself as Condoleezza Rice, the U.S. Secretary of State, a very successful, highly educated woman. Dr. Rice wouldn't worry about a high school math exam, right? By imagining she was someone else, she stopped agonizing and gained more confidence daily. By focusing on the present rather than the result, she scored a 93%, her greatest performance with less effort.

Dare To Be Different

Does this also apply to sales? Can we perform better when we don't focus on our sales goals? A woman's clothing store had a competition to determine who among its employees could sell the most in two months. The winner would receive a bonus and, possibly, a raise. All had their eyes on the prize, except for one sales rep who decided on a different approach. Instead of trying to make a sale, she zeroed in on serving the customer. If a customer needed help for eight hours to pick out a blouse, that's what she would do. If she felt customers would find a better product at a competitor, she would send them there. After two months, she, who was not trying to make sales, sold more than everyone else did by a significant margin.

We have seen similar results in many sales and service organizations. We all know (and believe) the expression, "You get what you measure," but will you get what you want? Targets and goals create stress and dysfunctional behavior.

Less Motivation, More Performance

The concept of reducing goal-obsession to improve performance is not new. In the early 1900s, Robert Yerkes and J. D. Dodson developed the aptly named Yerkes-Dodson Law. The premise is performance increases relative to motivation (they call it "arousal") only to a point, after which performance drops. Typically, it is drawn as an inverted U-shaped curve.

If you lack motivation, you have low performance. This is not surprising.

As your motivation increases, your performance increases…to a point. This point is the sweet spot of optimal performance. Then, as you become more goal obsessed, performance paradoxically decreases. Goals increase stress and fixate you on the future rather than the present.

Yerkes and Dodson suggest that different tasks require different levels of arousal (to use their word). For example, physically demanding tasks often require higher levels of motivation. This explains why professional athletes are inclined to be more goal driven. Even so, as demonstrated by the pit crew example, too much goal orientation will hurt even athletic performance. In 2004, the New England Patriots (American football) broke the records for the longest winning streak in NFL history--20 games in a row. At a press conference that followed, a reporter asked the team's Head Coach, Bill Belichick, to comment on this winning streak. He replied, "We did not have a 20 game win streak. We had 20 one-game win streaks." His philosophy was to play each game the best they could. Setting your sights too far ahead is a sure recipe for failure.

Creativity Has its Own Rewards

Within the business world, Yerkes and Dodson found that to improve concentration, intellectually challenging tasks required lower levels of arousal/motivation. The more creative the work, the less motivation required to hit peak levels of performance. Studies reveal that creativity diminishes when individuals are rewarded (externally motivated) for doing their work. Why? The desire to achieve the goal overtakes the personal interest in the endeavor. A myopic focus on the outcome overshadows the intellectual stimulation of the process. As a result, risk taking reduces, and creativity vanishes.

"Working hard" may not be the best way to improve productivity and creativity. Maybe it isn't even "working smarter." As we have seen, maybe it lies in trying less. Or maybe it can be found in understanding human behavior and motivation, as illustrated in the following studies.

Your Loss Could Be Your Gain

Which magazine do you think American men are more likely to buy?

• a men's health magazine with the cover, "Lose Your Gut Fast" or

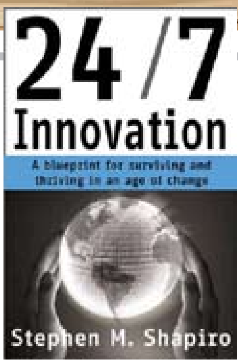
• a similar magazine with the cover, "Get Six Pack Abs?"

Book Review

24/7 Innovation offers clear, compelling roadmap to achieve pervasive innovation

By Chuck Frey, www.innovationtools.com

24/7 Innovation: A Blueprint For Surviving and Thriving in an Age of Change by Stephen Shapiro is a practical field guide on how to manage innovation in the 21st-century organization. The author focuses on innovation in its widest sense, including product, process, structure, relationships and the development of customer-focused capabilities throughout the organization. This excellent book should be required reading for every corporate leader and entrepreneur.



24/7 Innovation is not just another theoretical book about innovation. Shapiro explains what today's most innovative companies are doing today to develop a culture of pervasive innovation. He presents practical, actionable principles, backed by dozens of real-world examples, that you can adapt to the needs of your organization.

How the book is structured 24/7 Innovation is divided into three main sections:

Part One: Surviving and Thriving in an Age of Change -- In this opening section, Shapiro makes the case for innovation, and answers questions such as: Why is pervasive innovation important? How can organizations use innovation to create a sustainable competitive advantage and enhance their ability to anticipate and meet customer needs?

One of the key themes of this section of 24/7 Innovation is something that Shapiro calls "lines, not boxes." What does this mean? Typically, most companies focus on the "boxes," the functional elements that make up the company, while ignoring the opportunities for innovation that lie within its relationships -- the "lines" that connect these operations. According to Shapiro, lines include the organization's relationships between its employees, teams and departments, between an organization and its outside partners, and between the organization and its customers. This is a simple but powerful metaphor that drives home the point that an organization's innovation efforts ought to be focused primarily on processes and strategic relationships (lines), not just the new product pipeline (boxes).

Part Two: The Blueprint, includes sections on process-enabled innovation, creating a culture of innovation, customer strategies and the relationship between technology and innovation. One of the core concepts of this part of the book is organizing new capabilities and improving upon existing ones. Shapiro defines a capability as something that enables "an organization to perform optimally in activities that typically require processes, people and technology. Capabilities derive from an explicit strategy, and they deliver measurable results." The author strongly recommends that managers and leaders focus on capabilities that are customer focused, and emphasizes that this may be the only source of sustainable competitive advantage available to companies today.

Part Three: Making it Happen includes advice on setting priorities when implementing an innovation initiative, using simulations to experiment with new business models prior to implementing them, and how to implement innovation in stages or phases for best results. One of the most valuable tools in this section of the book is what Shapiro calls the Innovation Targeting Matrix -- which is designed to help companies determine those capabilities from which they gain their competitive advantage.

Conclusion

24/7 Innovation is a remarkable book that should be on every leader's and entrepreneur's must-read list. It is filled with valuable real-world insights and advice that you can use to establish and nurture pervasive innovation as a core capability of your organization.

Stephen Shapiro draws upon many years of real-world consulting experience to formulate a set of powerful guidelines for supporting and fostering innovation in all its forms. Refreshingly, he places a particular emphasis on process innovation, which is still poorly understood by many executives. His "lines, not boxes" metaphor is both simple and valuable, and helps to illuminate the many opportunities for innovation that exist within the typical organization.

This thought-provoking book is a must-read for anyone who is serious about corporate innovation. It is a valuable how-to manual that you will find yourself referring back to again and again to refresh your thinking about innovation.

The Many Benefits of Yoga

Going to your first yoga class can be an intimidating experience. Who wouldn't feel a little out of place being crammed into a room with 30 other people all lined up in rows on little PVC mats! Not to mention being asked to put your body into torturous poses and be willingly twisted into various forms of knots!

So why do we do it? Concentration, flexibility and strength are all well documented benefits that we receive from a regular yoga practice. What about benefits such as stress reduction & curing insomnia… Let's delve into some of the lesser talked about benefits of yoga.

GOOD FOR THE HEART

Did you realize that yoga may help in heart disease prevention? Most people know that stress is a risk factor for heart disease. Studies are showing that yoga may decrease risk factors for cardiovascular disease through its stress relieving effect. The simple act of quiet breathing and meditation helps to reduce blood pressure and in doing so puts less strain on the heart.

ASSISTS IN WEIGHT MAINTENANCE

Yoga can have a positive effect on the maintenance of a healthy weight. The best way to accomplish this is to work at an intensity that challenges you, but doesn't overwhelm you. Many of yoga's poses require great balance and strength. With time core stability will also improve. As a result, muscle tone and even cardiovascular benefits can be attained as you practice progresses.

EASES ANXIETY AND DEPRESSION

Anxiety and depression may be reduced or managed through the art of yoga. Managing either of these conditions often requires implementing positive coping skills such as learning to breathe, relax and be at peace. Yoga encourages and fosters these skills. In keeping a regular practice you'll develop natural and positive methods of coping with the symptoms of both conditions.

There are also some surprising benefits that you may gain from your yoga practice…

1. Compassion. Yoga philosophy tells us that we are all the same, all one. Usually it's the class experience of everyone moving and breathing together that really helps to generate this understanding. You may come to the realization that we are all just doing the best that we can in life. Our way may differ from our neighbor's way, but essentially we are all just the same.
2. Mindful eating. I'm not saying that you will want to give up meat or alcohol (in fact many yogis never will). I'm talking about a subconscious shift in the way you may begin to view food. Yoga may change the way you eat because you start to pay more attention to the effect it has on your body. Noticing that burgers and fries make your whole being feel slow and heavy, where as a crispy green salad makes you feel energized and light.
3. Confidence. It's one thing for someone to tell you that you can do anything you set your mind to. It's another thing to actually experience it for yourself. It takes a lot of time and determination to do a head stand, hold the weight of your body, or even just to consistently do you home practice. But once you've experienced it, you really do start to believe that you can do anything! You'll see an inner strength that you never knew was there and that equals to a healthy dose of confidence.
4. Better relationships. What do you get when you mix heightened awareness, compassion, self-confidence and some positivity? The ability to relate to people in a more positive and meaningful way. And that means that you get a stronger network of friends and supporters. This is perhaps the most valuable benefit of all!

MONEY Matters But *Expectations too*

By Sunil Kumar (PhD), School of Economics, USP

After the announcement of 2012 National budget many things happened. Initially it was a great relief for the people who were looking forward to increased income. In fact it indeed increased the income of the wage earners. The earnings of wage earners in fact have increased by around 10 or 13% for those in the higher income bracket. However, this would be much lower for the lower income brackets. This lowering of the corporate and personal taxes is much appreciated by the people at large since the benefits of this new measure is felt widely by all the sections of the population. In fact for most middle income families it is a significant gain.

This tax reduction measure for the 2012 National Budget was an extremely bold step taken by the government to put more money in the pockets of the people to increase consumption. It was basically an expansionary approach and based on the assumption that increased consumption would lead to increased output and thus lead to other balances in the economy. Such measures are not new, but in this case definitely an extraordinary one given the proportion of the tax cut. It was by any measure a huge tax cut never seen before in Fiji's history. If a simple proportions calculation is done, assuming all other things as given, the revenues would be expected to decline by about $120 million which could push the actual deficit to around 3.5%, more than 1.5% points higher than projected, which is a seriously bad situation to be in for any government in Fiji's economic condition.

Frankly speaking there are many lingering questions that need to be answered. Foremost, the question is whether this tax reduction is sustainable without raising other taxes. In fact, I would have expected the tax reduction to be much less. In fact the tax reduction should have been more gradual over the last four or five years, in which case the government would have been in a better position to handle the downside risks. This sudden reduction would be far more difficult to adjust.

My assessment as an economist is that the resulting increase in consumption may not actually be realised to spin any output growth in the economy. If this really is the case, then the economy may fall trapped in a vicious cycle of imbalances and give rise to greater macroeconomic risks.

But despite all these downside possibilities, there is a sense of happiness among the people about this tax reduction s it increased their income.

Under normal economic circumstances, it would be expected that the increase in income should match with a corresponding increase in productivity. The question is whether this possible, which in my assessment may not be possible and thus the national economic pie may not grow to match the proportion by which the consumption would increase in the economy. Further to this it is least likely that government expenditure (particularly wastages) would be taken care by some internal means. And combined with the current global slump in the economic recovery and weak domestic indicators are reason for the worry.

The domestic economic situation looks even grimmer after the unfortunate event of the recent floods, which has caused significant damage to the economy and dampened the confidence of all stakeholders. The resulting economic shock could be as big 3% if decline in crop, tourism and other businesses are factored in together with the cost of damages.

With this, the risk of increasing government deficit has increased significantly and the projected deficit indicated in the budget may worsen substantially if tax collection from other sources such as departure taxes, stamp duty, the new levies and fines etc do not realise as expected. The government may then have to consider some other forms of taxes next budget that could take away what has been given under this budget. More so the government would have to borrow more from somewhere to finance its expenditures and worse still stifle expenditure in some areas of activity.

Additionally, it is expected that the government policies would remain expansionary in 2013 as the election approaches closer.

The recent sentiments from the businesses also seem negative despite promise of tax relief for flood affected businesses and the reduced corporate taxes. It could be arising from a number of apprehensions that businesses hold about the business environment in the country. It may be that businesses clearly know that even if incomes increase after the tax reduction, the actual net gains may not really be that great after all. It generally seems that the negatives override the small positives that seem to exist. The closure of around 50 businesses in Nadi may be a reflection of the lack of confidence in the economy, although this is not any deliberate making of the government.

Apart from the lower taxes, the economy has made some other gains, which are expected to have much lasting effect. For instance, sugar output if increased by about 16% as expected may be a boon for farmers. It was also earlier projected that tourist arrivals would increase by about 7% mostly due to active marketing by Tourism Fiji. This would be much welcome development. Those associated with these sectors would enjoy higher income from these activities which may have a positive spin on the overall economy. But the problem is whether all these would remain achievable after the devastating floods. The people in the affected areas are still in serious difficulty and working hard to cope.

Most other productive sectors have remained stagnant or have declined in the last 12 months according to the economic data. So, the general lacklustre economy is a worrying sign. Without higher economic growth one cannot expect much to happen even if the government's budget look as good as it does for 2012.

On the broader economic front investments have remained low and skill migration continues at a rapid pace. The lack of growth and skill migration could continue to generate the down spin and further damage the confidence in the economy. The confidence among the businesses may nose dive unless the government comes up with some constructive policies to rejuvenate the economy, particularly in the sugar belt where floods were the worst.

The world economy is another factor that needs to be considered carefully. The world economy is expected to grow at a much slow pace during 2012 than was predicted earlier. While the Asian economies may continue to grow at a reasonable rate of 7-8%, the developed economies like the US, Euro-zone, Australia and New Zealand are expected to remain subdued for the next twelve months. It is particularly worrying since the Australian economy is forecasted to grow only at around 2% and the US economy at 1.7%. In the face of this reality the managers of the economy need to be more creative and innovative. New ideas are absolutely necessary.

The government's current investment on road infrastructure is a good approach towards building confidence. But this has to happen more rapidly. The current rate of construction and repair is not keeping pace with the rate of deterioration. While the government's current approach can be lauded as good gesture, much more needs to happen in the economy for long run sustainability of higher consumption. Improving the business environment in the country is a sure way of achieving this, which is only possible if political stability is established in the long run. The government's efforts at the moment seems genuine and a positive one.

Up-keeping the morale of the workers is another important issue. The economy wide wage increase is a good sign but it has to go with proportionate increase in productivity. This is where the civil service needs government attention where merit and good working culture needs to prevail. Appropriate systems are needed in place to monitor and improve work culture in the civil service. Honesty and ethical practices are extremely important but much more is needed if worker output is to be increased, which goes a long way in increasing the earnings. Such increase in productivity cannot happen without new technologies and technologies need new investments, ideas and above all the confidence of the investors. This is where the manufacturing sector in Fiji has fallen silent.

Government needs to do more on investments by supporting domestic businesses by improving the business environment and simplifying procedures. The environment should not only be attractive to big or foreign investors but also to small domestic investors including those engaged in the rural economy. Such efforts include establishing long term security of land tenure for leaseholders and supporting market mechanisms and logistics. Streamlining customs rules and facilitating international trade in niche areas such as agriculture would be most attractive and viable steps the government can take in this environment.

However, consolidating property rights and curbing crime are going to be a major challenge for any government, including the one after the 2014 elections. My interaction with people in the rural areas has been limited but from whatever little I have had in the past 12 months indicates that helplessness and lack of opportunity continue to exist. This helplessness largely determines the attitude of the people where only the government can help. The government can to do more for the rural sector to change the attitude of the people by empowering them to be productive. The small-holder farmers need new ideas and extension support for high value crops with market facilitation. It is particularly important that new markets are facilitated, where the government needs to provide support for new ventures both in primary agriculture production and processing where more extension resources and expertise are needed.

Lastly, political reforms need a fresh look and a definite march towards a democratic government. I would expect the government to take measured steps towards more open media and facilitation of sensible public debate. An open discussion on the Constitution is a must for long-term stability. The apprehension among those who hold power about dirty, nasty politics is understandable but despotic measures to control dissent or disagreement is not good for the country. In fact it is far worse than the dirty, nasty politics we hope to banish.

It is indeed true that Fiji cannot afford to get mired in racially, or religiously divisive politics, but it is also true that without free and open media, we cannot achieve a prosperous and democratic society. Reasonable discussions and debate can only be established through free media and freedom of speech, including academic freedom.

The academic fraternities currently feel stifled, particularly on important constitutional matters. The current curb on speech and censorship of the media (or the self-censorship) should go. Remaking a new better Constitution and taking it through the people would be a huge challenge for the government but it is doable if good faith prevails. At the moment it seems the government is frightened of public scrutiny.

Constitution-making needs contribution from all stakeholders, otherwise it would be deemed incomplete. Then even the most basic essence of establishing a tolerant society would be defeated. I think the whole process of involving the people would be of great value to the new Constitution so that the new Constitution forms the basis for freedom and peace for all.

Coming back to the economic issues, one needs to go beyond the government revenue and expenditure arithmetic to figure out the outcomes. Even if the government puts more money into the pockets of the people in the current period, and that too at the expense of the future generations, no real progress can be made unless the people feel confident about the future and become more productive. This indeed goes beyond government accounting processes.

***Note:** the Author works for USP but the views expressed here are his personal and not that of the institutions.*

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Innovation *as a Weapon in* Global Competition

By: Stephen M. Shapiro

To say the global economic environment is undergoing the most rapid change in the history of business is to state the obvious. Unless you have been living under a rock for the past year, you know all about the market blow following the September 11 terrorist attacks, the dot-bomb phenomenon and the collapse of Enron. To make matters worse, many American companies are increasingly facing resistance -- internal and external -- as they try to expand globally.

These events, combined with an already declining global economy, have left corporate executives on edge. Yes, it's bad news and it's depressing. The good news?

Everyone's in the same boat.

But now as before, the fundamentals stand: If you create a business that can adapt quickly and flexibly to the changing economic and cultural landscape, you may have the silver bullet you're looking for.

A key to achieving this kind of quick response is learning how to inject innovation into decision-making at all levels of the organization. It won't happen by decree from the CEO, and I'm afraid there is no shortcut. Real innovation requires broad cultural change based on values, guidelines, and outcome-based measurement systems that give flexibility to all employees while mitigating risk for the business as a whole. Done

properly, a company can stay ahead of the change curve and beat the competition while also easing its move into new markets.

If you aim to achieve and sustain a leadership position in a global marketplace that never sleeps, your company must be a hothouse of creative thinking, flexibility and agility – twenty-four hours a day, seven days a week.

Continuous innovation

Innovation has traditionally been thought of as something separate and discrete, brought into the organization from outside, from the laboratory. Take your most innovative, creative people and lock them in a room while they develop a new process. Then tell them to implement the change company-wide.

But is this really the way a company should be run? A study carried out at Eckerd College in Florida challenges the traditional models.

Managers who came to the Eckerd leadership course were broken up into teams and given a problem to solve, "The Hollow Square". Before being allocated to their teams, the managers were assessed to determine whether they were "innovators" or "adapters". In general, innovators tend to "do things differently" and are prepared to break with rules or ignore past traditions. Adapters, on the other hand, are focused on "doing things better", but they tend to work within the rules and accept the status quo.

For this exercise they were divided into teams, of which three are of particular interest. Each team was comprised of two groups. One of the groups was designated as "planners", and its task was to work out a solution to the problem. The second group consisted of "implementers", charged with making it work. The planners told this group what to do in order to form a hollow square with the tools that had been made available to them.

In the first team, the group of planners was made up of the "innovators" and the implementers group was made up of "adapters". In the second team, they were all mixed up together. The planning group had both innovators and adapters, and so did the group of implementers. In the third team, however, the groups were turned upside down.

The planning group contained only "adapters" and the implementing group contained only

"innovators".

Although most would dismiss the structure of the first team as unworkable, this is how most companies implement change. Team structure two, the cross-functional approach, is usually assumed to be the best alternative.

But in reality, the third option is the one that turns out to be most effective - the one where the "adapters" do the design and the "innovators" implement it. The "adapters" are able to come up with a design very quickly, albeit an imperfect one. And the creative types are then able to take that design and build something from it, correcting and improving as they go along. Whenever a problem arises they are able to solve it there and then without checking back with someone else.

Can everyone be innovative?

Continually competitive businesses will be built not around a lot of heads and hands, but around a lot of hearts, around motivation, dedication and commitment to creative thinking. Successful innovation is continuous, and that very continuity enables companies to keep pace.

Executives recognize that their company loses ground when the pace of change outside the company is greater than the pace of change within.

A popular myth is that some people are born creative, and some are not. There is, in this view of the world, a creative type of personality – Michelangelo, Mozart or Tolstoy, for example – and then there are the rest of us. But this is totally wrong. It's all a matter of degree. We all have the potential to be innovative – perhaps not quite as much as Mozart, but innovative nonetheless.

This premise has been tested out many times over the years. For example, George Land and Beth Jarman, gave 1,600 five-year olds a creativity test used by NASA to select innovative engineers and scientists, and 98 percent of the children scored in the "highly creative" range. These same children were re-tested five years later and only 30 percent of the 10 year-olds were still rated "highly creative". By the age of 15, just 12 percent of them were ranked in this category, while a mere 2 percent of 200,000 adults over the age 25 who had taken the same tests were still on this level. So, it seems, creativity is not learned, but rather unlearned.

And yet the business world has traditionally favored analytical thinking over the capacity to innovate and has seen to it that business schools produce highly trained young men and women to think along strict parameters.

But times have changed, and now the mission has to change -- to help people unlearn their uncreative habits.

The ability to innovate is much more pervasive and ubiquitous than most of us imagine.

A word about definitions. Innovation is not the same as invention. Invention is something to be pursued in a carefully controlled laboratory atmosphere. Invention is the process of discovering things that have never been discovered before. Innovation is different. In the business world, innovation is the discovery of new ways of creating value. Not everyone can be an inventor, but everyone can be innovative.

Stimulating employees

Innovation is a must, because (to the great frustration of some) the environment in which companies operate is highly unpredictable. Customers today are perplexingly fickle and demanding, and they want us to do things that our detailed binders of workflows are not able to handle.

How can we satisfy them when the policy book does not provide the answer?

We must look elsewhere. Jazz is the perfect metaphor for innovative business activity. This appeals to me because in my other life I love to improvise on the tenor sax. I am not the only one who has been struck by the appropriateness of the jazz metaphor. In 1996, John Kao wrote "Jamming" which used jazz as a theme for creativity.

And, in "The Social Life of Information", the authors, John Seely Brown, director of Xerox's Palo Alto Research Center (PARC), and Paul Duguid describe some work done by two Xerox technicians trying to repair a client's machine.

To paraphrase the authors: "The afternoon resembled a series of alternating improvisational jazz solos, as each took over the lead, ran with it for a little while, then handed it off to his partner, all against the bass-line continuo of the rumbling machine, until it finally all came together". That is the way the two technicians found a solution to their client's problem, a solution they would never have found by simply following the book.

But for me, jazz is more than just creativity. It is bringing a company together in such a way that there is coordinated action throughout. Just as with jazz, this requires simple structures that enable innovation to take place in a harmonized and collaborative fashion. These simple structures equate to the role of process in fostering innovation. They provide the framework for freedom inside the structure.

What the jazz musician adds of his own accord is not pulled out of thin air. It is based on fundamental rules about chord progression and chord structures. Likewise, what the business invents in order to improve any given capability has also to be founded on certain basic ground rules. The players in a business have to be able to innovative at any minute of the day while literally "on their feet". Innovation in business thus is just as important as improvisation is to jazz.

Employees have to be trusted to search intelligently for improvements. But they do need guidance, training, and the tools to fulfill whatever solutions they come up with. It's not a straightforward choice between rigid structures and allowing total anarchy. It's a question of finding the right balance of structure and freedom.

What this leads us to is the difference between "box" thinking and "line" thinking. When people say you need to get "out of the box" to be innovative, they are right, but for the wrong reasons. The box that most people operate in is focused on activities, computers, people, or departments within a company. It is the lines, the interconnections and interdependencies between the boxes, where innovation emerges. Innovative thinking comes from making connections. Connections between boxes. Connections between ideas. Connections between companies. Or connections between industries. Focusing on the lines frees up the organization to improve within the guidelines of the simple structure

Strategies that have worked

How do the concepts of jazz, lines, improvisation and fiveyear- olds translate into practical business application?

Over the years I have seen many innovative companies.

And although there is no formula for their success, here are a few common strategies:

Make everyone accountable: Because a few individuals at the top cannot possibly plan all of a company's activities, give employees a set of rights, responsibilities and rewards that make them accountable for their own actions.

Koch Industries, an oil and gas company based in Wichita, Kansas, wanted to achieve world-class safety. Rather than have a few safety engineers scour the company, Koch (pronounced "coke") gave this responsibility to all employees, with rewards both for uncovering unsafe conditions and for discovering new ways to conduct business more safely. This initiative resulted in as much as a 50 percent improvement each year in the number and severity of accidents across Koch Industries. Within one year the company had moved from middle of the pack to one of the best safety records in its industries.

Replace rigid processes with clear business objectives: Too often innovation is stifled because companies define business processes in great detail, then hand those designs to the line that is expected to execute them.

Mölnlycke Health Care, one of Europe's leading manufacturers and suppliers of single-use medical products, allowed production teams to decide how to meet their goals. With the responsibility for quality products moved to individuals on those teams, nearly 70 percent of the company's new products launch on time, compared with just 15 percent previously. As a result, the company will have quadrupled its shareholder value in only five years.

Challenge employees to compete: When challenged by external (or sometimes internal) organizations, groups are kept on their toes. For example, prior to being acquired by RWE AG in 2000, VEW Energie AG, a German-based utility, created a new business entity responsible for service, maintenance and construction. But other VEW managers were allowed to do business with competitors offering the same services if the price was right. As a result, the new unit worked hard to remain competitive, and in return was able to offer services to outside companies as well.

Encourage employee innovations, and reward them accordingly: Companies are often fast to turn to outside help, when in fact they already have the capabilities within their organization to do the job. Koch's pipeline business in Minneapolis had budgeted $30 million to expand its pipeline with external support. A team of company employees decided that they could do the job themselves better and cheaper, and within a couple of months they had increased the pipeline's capacity by 15 percent while spending only just over $1 million. Koch immediately gave them all a check averaging 15 percent of their annual salary.

Focus on your core strengths... and outsource: Another way of using innovation to stay nimble and competitive is by focusing on your differentiators, and relegating everything else to partners who have that expertise.

Imagine an insurance company established only two years ago that has already contracted 15,000 policies and is issuing 200 new policies every week. Now imagine that the company has only two employees. This is Universal Leven, a Netherlands-based subsidiary of Allianz, focused on large, professional broker organizations. The two employees are in charge of corporate strategy, network expansion and product development. Everything else, including product branding, product design, marketing and all back-office operations, is outsourced.

Link strategy, customers and capabilities: To be competitive and sustain market leadership in a changing Brazilian marketplace, Multibras (appliances) embarked on an ambitious change program. This was achieved by focusing the business imperatives at three levels: industry, customers, and competencies. Multibras first looked at future discontinuities in the industry by mapping potential future transformations and expected changes. They did this through the creation of scenarios and business imperatives. The changes were then fed into a view on what customers would want in the future. What are customer expectations (current, and potential future), needs and wants? This was done using current customer knowledge, direct involvement from customers (e.g., Whirlpool), and leveraging marketing expertise. The outcome helped drive the definition of the distinctive capabilities required in the future. This effort ultimately generated $50 million in cost reduction benefits for the company, reduced time to market by 35 percent, and cut development cost by 15 percent.

better in other areas.

3. Organic Capacity

By this stage, the capacity for change has become built into the organization, and it is often being driven from the bottom, with employees seeing it as an integral part of their jobs. This comes about partly because companies that reach this level have focused specifically on developing change competencies in their employees.

They have reached the idyllic stage where innovation is an integral part of the company culture.

The path through these three waves will take years but the payoff can be great. Once completed, a company can avoid the continuous gut-wrenching change programs that have plagued organizations for so long. Change will happen much more continuously and pervasively throughout the business.

Creating a culture of innovation

This all sounds impressive, but unfortunately your company's culture may be light-years away from that of the companies cited above. And, typically, organizations are not comprised of five-year-olds with an infinite supply of creativity, energy, and flexibility. They are more likely composed of adults with long histories, territories to protect, and boxed-in thinking. This makes any kind of change difficult, and culture change particularly difficult.

As someone once said, "The only one who likes change is a wet baby."

Structural changes alone are not sufficient for an organization to become innovative throughout. Changes must be made in virtually all parts of the organization, from the management style to the measurement systems.

Ramming home a new change program without preparation would be a bit like dropping a high-powered engine into a Volkswagen Beetle without altering the transmission, the drive train, the suspension and so forth.

It can be done, but chances are the finished product won't work very well.

It is important to recognize that even the greatest enthusiast has finite limits to the amount of change that he or she can tolerate. Since each company is made up of a unique bunch of individuals, and each company's capacity for change is unique. Any company's plans have to take these limitations into account. The timing of the change, the approach to it, and the people who lead it will all vary depending on each company's circumstances. There are no templates here.

In my experience, culture change goes through three waves as it moves toward a true culture of innovation.

Each wave starts at a modest level, then builds up to a plateau. It then rests for a while (as if to take a breath) before gathering enough momentum to go to the next level. Successful companies move through three waves of S curves, each of which increase the company's capacity for change:

1. Leadership-Driven Capacity

At this early stage, progress is invariably based on the tenacity and leadership of a single individual, someone who gets the bit between his or her teeth about an opportunity for improvement. By taking responsibility for it, the individual drives the change. This top-down approach requires the individual to create such a sense of urgency about the initiative that he or she prevents it from falling into what is all too common – a debilitating series of fits and starts. If there is no compelling need to change, change is unlikely to happen.

2. Structural-Driven Capacity

At this stage the responsibility for change no longer rests with an individual. To some extent, it has been taken over by the organization. Mechanisms have been put in place to enable employees across the business both to implement change and to drive it. Typically, such mechanisms include various performance measures, organizational structures and lines of communication. This often includes a move towards a process orientation.

Process improvements in one area eventually help to build up the organization's over-all ability to improve. The better a company becomes in one area, the more skilled it becomes at getting

The impact on global companies

Due to the relative homogeneity of the United States, many American companies are structured in a more centralized and standardized manner. Control is driven from the center of the organization, with strong corporate governance. But this model has caused heartburn for many companies trying to expand overseas. I have worked with a number European companies over the past few years. Their approach to organization models is quite different.

With their varying cultures, economies and (until recently) currencies across Europe and the world, non-American companies typically use a more decentralized structure.

This enables businesses in each country to get close to the customers and markets and design propositions and ways of working that meet local needs. And while market turmoil can mean sharp swings in profitability, much can still be learned from these global companies.

One British company, Invensys, is a large, global electronics and engineering firm that was created by the merger of BTR and Siebe in 1999. At that time it operated globally through four divisions -- Software Services, Controls, Power Systems, and Intelligent Automation. And within those divisions there were approximately 30 product groups, each of which operated in the countries of its choosing. Profit and loss accountability is at the product group level, giving a fair amount of autonomy and supporting the decentralized philosophy of the company.

This "small business within a business"

approach has enabled Invensys to reconfigure its portfolio from hardcore engineering to a focus on smart products via selective purchases of automation, and technology businesses. One of the ways this is achieved is by only allowing the strongest, most profitable, highest-growth areas of business to dominate, while others that are withering on the vine are lopped off. Invensys acquires and disposes of new operations as needed. And more importantly, its business model allows each of the countries to operate somewhat independently, enabling them to make decisions that meet local needs. In their industries, Invensys leads in the area of global diversity, with over 50 percent of their business coming from sales outside of their home region.

ABB, the Swiss-based technology and engineering company, is renowned for its ability to create a powerful global structure. ABB serves customers in power transmission and distribution; automation; oil, gas, and petrochemicals; building technologies; and in financial services (this last group is in the process of being sold at the time of writing). The ABB Group is comprised of 800- 900 companies operating in 142 countries, and employs 170,000 people. ABB's historical strengths lie in its decentralized management philosophy. This enabled local businesses to tailor offerings to the needs of the local market and respond quickly to changing market conditions. Throughout the 90's ABB was the poster-child for how to create and run a global business.

These types of structures have enabled these and other companies to quickly enter new markets or even new businesses. However, anyone who has followed these two companies knows that the past two years have been difficult for them and a number of other companies in their sector. I contend one reason (but certainly not the only one) is that these companies did a great job of focusing on the "boxes". Lots of little boxes (in contrast to one big box typically used by American companies). They created powerful, localized businesses. The problem is, they did not focus on the lines. There was little synergy across the operating units within the company. Because of this, doing business internally with other operating units can be more difficult and expensive than buying product from external competitors.

One company I am familiar with believes that nearly 50 percent of business transactions that could have been conducted internally across operating units, were sourced by the fact that it is not unusual for these companies to have dozens or even hundreds of different ERP systems. Unfortunately, each ERP system does not talk to the others, and typically has different number schemes for customers, suppliers, parts and products. This makes any level of collaboration as difficult as if each business were speaking a different language.

The Koch example

Earlier I referred briefly to Koch Industries' innovative safety program. This is a customer-focused innovative organization that believes deeply in the tenets of the free

market. The company is the second-largest privately held firm in the United States and would rank 21st on the Fortune 500 if it were public. Koch is a conglomerate with a wide range of interests. But it is not so much what the company does that is interesting as the original way it does it. Koch Industries operates as a network of employee-entrepreneurs who work within a framework of appropriate incentives and decision-making powers.

Anyone brought in specially to do a job within the group is immediately given the authority to spend money and to move people when and where he or she chooses.

Koch Industries is a highly entrepreneurial company that does also connects the dots. A clear mission, set of values, and culture are shared throughout the organization. Decision-making is decentralized as far as possible, and based on the best local knowledge and information, while knowledge is shared across the company.

But potentially most important is the company's use of "internal markets", which brings the price system of the free market inside the organization. This is done by applying internally the prices and services that employees actually use in their daily work. Koch allows any two units within the organization to account for an internal transaction at the prices they would seek in the open market, even if these prices differ (of course done in conformance with Generally Accepted Accounting Procedures. The important point is that this ensures that units are rewarded appropriately for co-operating with each other. The company reckons that up to 50 percent of its profit comes from such initiatives. These approaches have helped the company grow 200-fold over three decades, and helped it expand into new business areas previously not considered.

What's the bottom line?

So, what is the key for global companies trying to compete in today's difficult, volatile environment? It is creating a culture of innovation where decision-making is pushed to the lowest levels of the organization. This then needs to be balanced with a set of simple structures, rules, and measures that enable coordination throughout the company.

A one-size-fits-all structure will hamper the efforts of American companies to truly compete globally. It is rarely smart to try to export Los Angeles to Paris. But adopting a culture of flexibility through pervasive innovation, based on market and cultural realities, can lead to changes that suit the business environment. It is never quick and easy, it is never painless, but failure to face up to the challenge will almost surely mean losing advantage in the marketplace, and ultimately seeing the more creative competition take away business.

About the author

Stephen Shapiro is the author of 24/7 Innovation: A Blueprint for Surviving and Thriving in an Age of Change (McGraw-Hill, 2002, ISBN: 0-07-137626-7, $29.95) and founder of The 24/7 Innovation Group. Previously, he spent 15 years at Accenture. During his last three years, he was based in London and led the firm's European

Process Excellence practice. In 1996, he was one of the founders and directors of Accenture's Global Process Excellence practice. And he was one of the leaders of the firm's reengineering practice from its inception in 1992.

Shapiro has advised many of the world's leading organizations, from BMW WilliamsF1, ABB and UPS to Lucent and Xerox. He has also collaborated with other thought leaders including Michael Hammer and Peter Keen, and is recognized as one of today's most influential consultants in the area of process and innovation. Articles by Shapiro have appeared in over two-dozen newspapers and magazines, and he was recently quoted in The New York Times. For more information, go to www.24-7Innovation.com.

Why Statistics *Kill Innovation...*

And What You Can Learn From Vegas Card Counters

by Stephen Shapiro

WHICH WILL HELP YOUR BUSINESS BE MORE successful: statistics or probability? Underwriters at insurance companies use statistics to assess future risks. This is based on years of collected data.

Probability is what card counters in Vegas use to increase their odds of success. This is based on realtime, real-life experience.

If you want to play it safe, use statistics. If you want to win big, use probability.

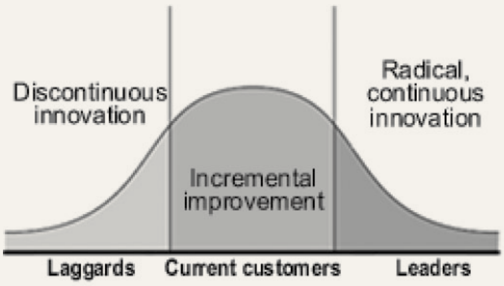
Statistics and Incremental Innovation

Businesses are increasingly using statistics to manage decision making, as evidenced by popular books like Tom Davenport's Competing on Analytics and the boom in Customer Relationship Management (CRM) system usage.

"There are lies, damned lies, and statistics" Mark Twain

The belief is that if we gather more data we can make better decisions. But this may not be true when it comes to innovation.

If you are crunching numbers, you are probably gathering information from existing customers. This will give you insight into their buying habits, usability behaviors, and other patterns. But most likely you are only gathering data on YOUR customers. This represents the middle of the bell curve or the norm. This information may be useful in "incremental" improvement, but it will rarely lead to significant innovations.



When you move beyond the norm to the far ends of the bell curve, you will find the real interesting ideas.

The Value of Non-Customers

On the far right-hand side of the curve are the market leaders; the advanced users.

They may not be your customers because you can't meet their high-end needs.

Or maybe they were once your customers and they left. When someone is not a customer it is difficult to gain insights into their wants and needs. If you could somehow understand their perspectives, you may find opportunities for "advanced" innovation and insights on where the industry may be going in the near future. These innovations would be more radical, yet continuous in nature. Think of this as the Blu-ray improvement on the standard DVD.

"Being normal is not a virtue; it denotes a lack of courage" Anonymous

On the far left-hand side of the curve are the laggards; the less sophisticated users. Your products/services may be too advanced, too complicated, or too expensive for their needs. Again, you are probably not gathering statistics on these individuals or organizations. But here lies the greatest opportunity for discontinuous innovation. If you can find a way of "dumbing down" your offerings, you might find new and untapped sources of revenue. Quite often these products become the de facto standard, much like when PCs replaced the more sophisticated mainframes and mini-computers.

The problem is, it is very difficult to get data about the ends of the bell curve. Focus groups, surveys, and other traditional data gathering techniques are useless. Scott Cook from Intuit once said, "For every one of our failures, we had spreadsheets that looked "There are lies, damned lies, and statistics"

Mark Twain "Being normal is not a virtue; it denotes a lack of courage" Anonymous awesome." We can use numbers to justify anything we want. But quite often they justify the wrong actions.

Probability and Innovation

If a statistics-driven innovation model does not work, what would a probability-based model look like?

Probability tells me that if everything is equal, the more bets I have, the more likely one will be successful.

The odds of 1 success out of 200 are greater than 1 success out of 20.

But how can you have more bets without diluting your efforts and potential returns? The key is to learn as you go. This is what card counters to.

Let's contrast a statistics-driven model with a probability-based model. To do so, we will use two exceedingly simplistic examples. With innovation model #1, you make a few "big bets" based on analytics you gathered from your customers (a statistics-driven model). Innovation model #2 is a more experiential "learn as you go" model (a probability-based model).

In both examples, let's assume you have $100 million to invest in innovation.

Innovation Model #1: Big Bets

This is the most common approach and is highly driven by statistics. You identify a number of large innovations you want to invest in. For this example we'll use 20 projects @ $5 million each. No matter how much data you have, most innovations will fail. We know that to be true. And of the successes, most will not achieve the predicted ROI.

In the end, if you are lucky, you'll have a few wins out of 20. This feels like putting all of your money on 35 black on the roulette table and crossing your fingers. Your wins/successes had better pay out big to cover your losses.

Innovation Model #2: Learn As You Go

Let's look at a different model. Instead of 20 large projects, you start with 200 smaller projects. Again, you know that most of these will fail – but you don't yet know which ones. You initially invest a small amount ($10M or $50K per project) to test the ideas as low-risk, low-cost experiments.

Based on this experience, you decide that 40% (80) of the ideas still show some promise. But you are not yet ready to bet the house.

> **"Failures are valuable negative information"**
> **Dr. Robert Goddard**

This time you allocate an additional $20M ($250K each) to do further testing.

You now eliminate 70% of the projects, keeping 24 alive. You now invest another $20M (nearly $1M per project). Of these 24, you decide that 5 are real winners.

At this point you have only spent half of your money and yet you were able to eliminate 195 ideas. That's incredibly valuable information learned by doing rather than by analyzing. You now invest the remaining $50M on those 5 ($10M each).

Why Doing Is Better Than Guessing

With innovation model #1 you must "guess" which ideas will be successful up front. A major high-tech company recently announced it is moving to this model by consolidating 150 ventures into only 20 big bets.

This feels like a bad idea. What if the 20 they choose all turn out to be duds? What if the real winners are in the 130 they eliminated?

With innovation model #2, you make lots of small bets to eliminate the bad investments. Then, as you see the odds of success improving, you increase your investments.

This is what blackjack card counters do. At the beginning of a deck, they place small bets. Then, as "real time" information is gathered, they can determine when the odds have shifted in their favor. That is when they increase their wager. The big bets are only placed when there is a high certainty of success.

Innovation and the Real World

Of course the real world is a lot more complex than these simple models suggest. The ultimate solution is a combination of big-bets and experimentation; a mix of data analysis and learning as you go.

> **"The probable is what usually happens"**
> **Aristotle**

For the learn-as-you-go model to work, you must take into consideration your organization's culture:

- *TOLERANCE OF FAILURE:* Your organization must be able to embrace an overall 2.5% (5 out of 200) success rate. For some companies – and employees – this high failure rate may be disheartening.
- *FAST DECISION MAKING:* Although the learn-as-yougo approach can move quickly by avoiding analysis paralysis, if go/no-go decisions get bogged down in bureaucracy, this iterative approach can grind to a halt.
- *TALENT:* When you have a large number of projects, you run the risk of diluting your most talented resources. What can you do to get the right people with the right skills on the right projects?

The learn-as-you-go method works exceptionally well in blackjack. There is a reason why casinos don't like card counters. Card counting shifts the advantage to the player. Anyone who read Bringing Down the House: The Inside Story of Six M.I.T. Students Who Took Vegas for Millions knows that this approach works well in gambling.

But does this approach work in business? Can an experimentation mentality shift the innovation advantage to your organization? Absolutely. If you read Charles Koch's The Science of Success, you will discover that this experimentation mindset has been fundamental to the success of Koch Industries, the largest privately held company in the world with $90B in revenues and a growth rate seven times faster than the S&P 500 for the past 40 years.

> **"Reward people according to the value they create for the organization"**
> **Charles Koch**

The Koch model is based on a free market philosophy. Realizing that central control is "fatal conceit" for his company, Charles eliminated the old command-and-control style and instead asked employees to run their businesses as if they owned them.

Koch Industries is now a network of employeeentrepreneurs who have decision-making powers.

When someone is brought in to do a job, they are immediately given the authority to spend money and to move people when and where they choose. The result could be described as Darwinian. All good ideas get seed money, while only the best survive. The less successful ideas are changed, cannibalized, or jettisoned altogether. This approach helped the company grow 200-fold over three decades, and helped it expand into new business areas previously not considered.

These learn-as-you-go approaches are powerful. They provide insights unattainable through traditional market research, they increase agility and adaptability, and they can give your organization an innovation advantage.

And that you can take to the bank.

During his 15-year tenure with the international consulting firm Accenture, Stephen Shapiro established and led a 20,000 person innovation practice. In 2001 he left Accenture to write his first book, 24/7 Innovation, which has been featured in Newsweek, Investor's Business Daily, Entrepreneur Magazine, and the New York Times. He is also the author of Goal-Free Living and The Little Book of BIG Innovation Ideas. For more information go to www.24-7Innovation.com.

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Stella Simpson
Atunaisa Nadakuitavuki
Fay Yee
Caroline Pickering

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Divik Deo (Chair)
Nitin Gandhi
Iowane Naiveli
Ravendran Achari
Trevor Nainoca

EDUCATION, MEMBERSHIP & ADMISSIONS

Lisa Apted (Chair)
Finau Nagera
Regina Mar
Ravendran Achari
Vimal Chand
Savinesh Kumar

CONGRESS ORGANISING

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Ben Coutman
Shaneel Nandan
Rajesh Sangekar
Deepti Lal
Sanjini Nair
Denise Charan

NEW MEMBERSHIP

NEW MEMBERS WELCOMED

The Institute is pleased to welcome the following persons, who have been admitted to membership, in various different categories in the months of January 2012:

CHARTERED ACCOUNTANT

Kavin Kumar	G.Lal & Co
Nalin Kumar	KPMG
Ratilal Lalji	Department of Defence
Jonathan Glen Law	Law Partners
Vishwa Hamendra Prasad	FNU
Sarika Rajni Singh	USP
Praneel Dutt Sharma Sharma's	Accounting Services
Narotam Solanki	PricewaterhouseCoopers
Marsha Raakee Lal	Hanrick Luwan Pty Limited
Sanjay Vikash Sharma	FNU

PROVISIONAL MEMBERS

Sairusi Sevu Bulai	Office of The Auditor General
Deepal Devi Chandra	Ernst & Young
Shakti Shrishti Deb	KPMG
Aleshni Kiran Deo	Public Rental Board
Lalesh Kumar	KPMG
Rinesh Kumar	Fiji Gas Limited
Binal Bkash Lal	USP
Neelima Sangeeta Lal	KPMG
Dipika Narayan	KPMG
Mitieli Nawaqavou	Office of The Auditor General
Devina Ben Patel	Pacific Power Association
Francis Herbert Pesamino	Office of The Auditor General
Kaushik Avinish Prasad	KPMG
Priti Radhika Prasad	KPMG
Emosi Qiokacikaci Rokoleakai	Office of The Auditor General
Diunisi Rokowati	Ernst & Young
Ansu Arisma Singh	Telecom Fiji Limted
Ashmeeta Devi Singh	Ernst & Young
Mereseini Vakagegu Vosawale	Office of The Auditor General
Avneel Anish Chand	South Pacific Stock Exchange
Nalinesh Chand	Pacific Fishing Company Limited
Poonam Deepshri	Reserve Bank of Fiji
Krishil Kumar	Fiji Times Limited
Sheenal Shivani Kumar	PricewaterhouseCoopers
Vineeta Mala	Sun Fiji News
Sakiusa Nabou	Reserve Bank of Fiji
Avindra Avenith Nand	PricewaterhouseCoopers
Ronal Rinesh Prasad	BSP Life (Fiji) Limited
Shalen Prasad	Fiji Electricity Authority
Sheerti Shivani Prasad	Vodafone (Fiji) Limited
Roneel Ravnesh Sami	R P Singh & Co
Josefa Vanuaca	PricewaterhouseCoopers
Simon Kong Man Yuen	KPMG
Avinesh Lal	FNU
Valerie Oi Lin Lum	KPMG
Loi Turaga Mateiwai	Suva City Council
Lakmali Sharmila Nanayakara	Golden Manufacturers Limited
Jotyshna Sandhya Nand	KPMG
Ashmeeta Sharma	FNU
Prateek Singh	KPMG
Emily Yalimaiwai	FRCA
Raksha Ben	SPC
Sangeeta Devi	Vinod Patel & Co Limited
Lucia Lui Kafoa	SPC/SOPAC Division
Amit Kumar	Asco Motors
Rital Shiuvangini Prasad	FNU

AFFILIATE MEMBERS

Moreen Nisha Ali	Ministry of Finance
Akanisi Biumaiwai Baleinabuli	Reserve Bank of Fiji
Momina Razia Beg	FRCA
Vimlesh Vikash Bharat	Reserve Bank of Fiji
Mereseini Marokosuva Bulewa	Fijian Teachers Association
Nemani Sokoiwasa Davui	Fijian Teachers Association
Ganeshwar Lal	Hangton Pacific Company Limited
Navin Maharaj	Mindpearl Limited
Sereana Matakibau	Reserve Bank of Fiji
Kavneel Prasad	Poly Products Fiji xlrimaia Vibote
Koliritova Rokosawa	Unemployed
Peni Gonelevu	Fiji National Provident Fund
Pranil Ravindra Krishna	Makans Limited
Saiyad Raahil Rihaad Rahim	Ministry of Finance
Finau Kabakoro Goneqea	Itaukei Affairs Board
Merewalesi Nanovo	Itaukei Affairs Board
Malvin Kumar Narayan	Fiji National University
Shalini Sarita Devi Prasad	Unemployed
Ilaisa Gabirieli Tokotuisiga	Water Authority of Fiji
Ashik Ali	Taifi Fisheries Limited
Ajentri Devi Kumar	Office of The Auditor General
Ravneel Kumar	Laucala Island Resort Limited
Krishneel Kavinesh Naidu	Novotel Nadi
Luke Naisila	FINTEL
Feisal Afif Mohammed Saleem	Ernst & Young

FIJI INSTITUTE OF ACCOUNTANTS

Young Accountant of the Year Award
Chartered Accountant of the Year Award

Fiji Institute of Accountants invites written applications/nominations from interested members/employers for award of Y**oung Accountant of the Year Prize or Chartered Accountant of the Year Prize 2012.**

Nomination Guidelines

The competition judges will award the prize to the candidate, who in their opinion, has most excelled in his/her professional role, has made significant contribution towards development of the Accounting Profession in Fiji, has made significant contribution through their skills towards the society.

The Judges' decision will be final. The competition is open to any candidate who must meet the following basic criteria:

- Is a member if the Fiji Institute of Accountants.
- **Is aged 30 years or less on 1st June 2012 for the Young Accountant of the Year Award or is a current Chartered Accountant for Chartered Accountant of the Year.**
- Is a citizen of the Fiji Islands
- Is a resident of the Fiji Islands

Candidates need not necessarily work for accounting firms or in commerce. They may be employed in Government, Statutory bodies, Education, Non-Government organizations or in any other appropriate role. The judging criteria remain identical, in almost all respects, to those adopted in previous years.

The winning candidate, in addition to demonstrating overall excellence, will also need to have achieved a significant, specific goal, possibly, but not necessarily as per the following examples:

- In comparison to his/her peers, has achieved early promotion to management or Partner level within his/her Organization.
- Has made a creative and identifiable contribution to the advancement of the Accounting Profession in Fiji.
- Has shown exceptional leadership within his/her organisation, in relation to, but not limited to, product, systems or procedural innovation.
- Has demonstrated exceptional expertise in at least one specialist area of Accounting, e.g. taxation or Insolvency.

Whilst this list is not exhaustive, it should serve to provide some indication of the type of candidate worthy of the Fiji Institute of Accountants Young Accountant of the Year Award or Chartered Accountant of the Year Award.

Who may nominate?

Candidates may nominate themselves, be nominated by other members of the Fiji Institute of Accountants, or by their Employer.

Self-nominated candidates must supply the names of two referees, and Employer-nominated candidates must supply the name of a second referee, who may not be his/her Employer.

Candidate's Case for the Award

In order for the judges to fully consider the candidate's achievements, the Nominee must make a case for his/her chosen candidate, with sufficient verifiable detail to enable the judges to award the prize solely on the strength of the case presented.

This written submission should contain details of advances made by the candidate's Employer, Clients or the Accounting profession that are attributable to the contribution made by the Candidate.

It should also contain details of any Projects the Candidate may have been involved in, including how these Projects were planned and executed, the Candidate's role in the Projects and the benefits to the Organisation that resulted from undertaking the Projects. The Submission must not be too lengthy.

The Curriculum Vitae

The Candidate must submit a detailed Curriculum Vitae and any relevant supporting information, e.g. financial statements that will aid the judges in their decision. All such information will be treated as strictly confidential and returned to the nominating party after the use.

For the Curriculum Vitae, the candidate must include, at a minimum, all of the information detailed below. Any other information that may advance the candidate's case may also be submitted, but may not necessarily have any bearing on the judge's decision.

- Full personal details – such as Name, Address, Membership category, age etc.
- Details of Academic achievements and professional qualifications
- Employment history – detailing career milestones, including details of the Candidate's duties and dates relating to the Candidate's appointment to Management positions, or when made a Partner.
- Details of any involvement with, or contributions to the Fiji Institute of Accountants.

Conditions of Entry

The nomination form and supporting material must be completed and returned to the FIA Secretariat (please send 3 copies each) no later than 4pm on 30th August 2012

"Young Accountant of the Year/Chartered Accountant of the Year Award 2012
3 Berry Road, Fiji Teachers Union Building
G.PO Box 681, Suva

FIJI INSTITUTE OF ACCOUNTANTS

YOUNG ACCOUNTANT OF THE YEAR AWARD 2012

CHARTERED ACCOUNTANT OF THE YEAR AWARD 2012

ENTRY FORM

Reference Details (Please print in block letters)

Candidate's Details

Name (Mr/Ms/Mrs/Miss)... ....

(First) (Surname)

Title ....

Business Address ....

Phone: (Business) ....(Mobile) .... (Date of Birth) ....

Proposer's or First Referee's Detail

Name (Mr/Ms /Mrs/Miss) ....

(First) (Surname)

Title ....

Business Address ....

Phone (Business)..(Mobile) ....

Second Referee's Details

Name (Mr/Ms/Mrs/Miss) ....

(First) (Surname)

Title ....

Business Address ....

Phone (Business)..(Mobile)...

The Candidate's Organisation

Name of Organisation ....

Main business of the Organisation ....

Number of people employed ....

Number of people reporting to candidate ....

Annual Turnover ....

Candidate's position ....

City / Town where the candidate is employed ....

Briefly describe the candidate's role within his/her organisation or the work performed for

Clients..

....

Accounting *for* Forests in Fiji:

The Experience of Future Forests (Fiji) Limited

Mr. Glen Finau*, Mr. Clayton Kuma*, Mr. Jale Samuwai* and Dr. Acklesh Prasad**,
*School of Accounting and Finance, The University of the South Pacific, **Queensland University of Technology, Australia.

"in a world which is experiencing unprecedented deforestation and widespread global environmental threats there is something intuitively right about planting a tree" (Future Forests (Fiji) Limited)

Introduction

The above quote demonstrates that even in the wake of global environmental crisis that hope still remains and that humans can still control their destiny. This opportunity to effect positive environmental change is one of the main aims of the South Pacific Stock Exchange's (SPSE) most recent publicly listed company: Future Forest (Fiji) Limited. Incorporated in 2004 and listed on SPSE in 2011, the company is Fiji's first large-scale commercial hardwood forest plantation and nursery. Future Forest (FF) is the only company listed on the SPSE with biological assets or "living assets." The accounting standard for biological assets is IAS 41: Agriculture. This standard prescribes the use of fair value as the basis of valuation. While a more relevant method of valuation, the application of fair value accounting can be more costly and burdensome for companies in developing economies (White 2008). In line with the journal's theme of agriculture, this article explores the issues, challenges and potential benefits involved in applying fair value accounting for biological assets in a developing economy such as Fiji using the case of Future Forest (Fiji) Limited.

IAS 41 – A Brief Overview

IAS 41 is the international accounting standard that the International Accounting Standards Board (IASB) specifically developed to account for agricultural activity. The main objective of this standard is to prescribe the accounting treatments and the disclosure requirements for agricultural activities. Particular attention should be drawn to the meaning of certain terms used in this standard. In this standards' context, agricultural activity is defined as "the management by an entity of the biological transformation and harvest of biological assets for sale for conversion into agricultural produce or into additional biological assets" (IAS 2009). Biological transformation is the processes of growth, degeneration, production and procreation that cause qualitative or quantitative changes in a biological asset (IAS 41.5). A biological asset refers to a living animal or plant (IAS 41.5). Agricultural produce is the harvested product of the entity's biological assets (IAS 41.5). The term harvest refers to the detachment of produce from a biological asset or the cessation of a biological asset's life (IAS 41, 2009).

As previously mentioned, IAS 41 prescribes the accounting treatment for biological assets. Specifically it provides guidance on how to account for a biological asset during its life cycle. This mean that accountants will now need to account for a biological asset during the period of growth, degeneration, production and for the initial measurement of agricultural produce at the point of harvest (IAS 41, 2009). The standard requires that biological assets should be measured on initial recognition and at subsequent reporting dates at fair value less estimated cost to sell (IAS 41.2) On the other hand, agricultural produce (the harvested product of the biological asset) should be measured at fair value less estimated cost to sell at the point of harvest (IAS 41. 2). From this point onwards, IAS2 Inventories or any other applicable standard will be applied. As such this standard does not deal with the processing of agriculture produce after harvest.

Fair value is the amount which an asset could be exchanged for or the settling of a liability between knowledgeable willing parties in an arm's length transaction. Cost to sell consists of amounts such as commission to brokers, dealers, levies by regulatory agencies and commodity exchanges and transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get assets to a market. Transport and other costs are deducted in determining fair value. Thus;

Fair value = Market Price less transport and other related costs necessary to get the assets to the market.

Any changes in the fair value less cost to sell of the biological asset are to be disclosed in the profit and loss statement for the period in which the changes arise. In the context of agricultural activity a change in the physical attributes of a biological asset directly enhances or diminishes the economic benefits of the entity. This standard does not prescribe new treatment for lands that are related to agricultural activity. It however, is only concerned with measurement of biological assets that are physically attached to the land such as a pine forest.

Future Forest (Fiji) Ltd (FFF) – The Case

Future Forest (Fiji) Ltd (FFF) was established in 2004, with the ultimate aim to develop and promote Teak as an alternative source of sustainable timber export in Fiji. Teak (Tectona Grandis) is considered to be one of the world's greatest timbers. The tree is said to contain natural oil that is resistant to termites, sea water and harsh weather conditions thus making a valuable tropical hardwood timber. Relatively new to Fiji as a commercial species (test plantings date back to the 1950's and even earlier), there is however growing demand for teak internationally. There are a limited number of international teak suppliers who can only satisfy 5% of the global demand. As a result, the market price for teak is expected to increase steadily from 5.5% to 7% annually.

FFF became a listed company on the SPSE after a successful public offering of its ordinary shares and convertible notes in November 2011. The company managed to raise $433, 244 from offering 21,200,785 ordinary shares and $1,506,698 was raised from the issuing of Convertible Notes. Currently the company has a total of 133 ordinary shareholders and 95 note holders respectively. The company's board directors comprise individuals with extensive experience in the agricultural sector. The listing of FFF has been hailed as a mile stone by the CEO of the SPSE as it is not only the first company of its nature to list but it has also extended the variety of financial products that are now on offer in Fiji's capital markets.

The company is currently at the first phase of its operation. It has managed to acquire over 272 acres of freehold land; 137 acres of leasehold land and is now in the final stages of securing an additional 770 acres of leasehold land. So far FFF has planted over 140,000 teak plants in the land already in its disposal. As part of its corporate vision and to fulfilling its social responsibility, FFF is in the process of obtaining the Sustainable Forest Management Certification (SFM) from the United Nations Framework Convention on Climate Change.

The Fijian economy is expected to significantly benefit from FFF's venture. The company is expected to bring in long term employment and training opportunities to the local community. Landowners are expected to benefit through royalties or the stumpage from each tree planted on their land. It is also expected to boost Fiji's export earnings. A research report by Kontiki Capital Limited (KCL) indicate a positive outlook of the company's performance given the nature of the commodity, the increasing international demand, limited suppliers and the increasing global teak price. Shareholders and note holders are also expected to earn excellent returns on their investment. The company has projected a 20% internal rate of return upon the harvesting of teak timber. As teak trees usually take 22-25 years to mature the company has also forecasted a steady increase in revenue of $0.34million in 2011 to $63.53 million by 2031. As a result shareholder value is expected to grow to an average of 26.45% by 2031.

Interview Discussion

The authors were fortunate enough to be granted an interview with the company's Chief Financial Officer: Mr. John Finn. Mr. Finn is a New Zealander and has over 30 years of experience as an accountant. He has extensive experience in a number of different industries and worked for a number of years in the developing nation of Papua New Guinea. Mr. Finn is the best person to share the experiences of FFF regarding it implementation of IAS 41 as he worked closely with international consultants, the board of directors and the auditors to ensure that the company was in full compliance with the requirements of the standard. The interview questions posed to Mr. Finn sought to determine the issues relating to complying with IAS 41 and his perception of the usefulness and relevance of IAS 41 to a developing country.

Costs of Complying

The main costs of complying with IAS 41 related to hiring consultants to value the plantations. These consultants were from Costa Rica and Australia. Other costs included data collection and time spent discussing the assumptions that would underpin the assumptions. Mr. Finn stated that the most difficult assumptions related to the determination of the period of the discounted cash flow and the weighted average cost of capital. IAS 41 provides a number of options for valuing biological assets. These include market based values, discounted cash flows and even at cost in rare circumstances. FFF chose discounted cash flow method as the teak trees were too young to be sold and the intention of the company was to sell the teak trees when fully matured. The discounted cash flow method is based on a number of assumptions such as future market price of timber, period it takes to harvest the trees, annual growth rate of trees, etc. Mr. Finn stated that key assumptions were based on expert advice and reliable sources of information. Furthermore, these assumptions were scrutinized by two separate chartered firms as the FFF's prospectus was audited by Ernst & Young and PriceWaterhouseCoopers (PWC) while PWC also audit the annual financial statements. The auditors did not have any issues with the application of IAS 41 although PWC did issue an emphasis of matter. The emphasis of matter does not qualify the audit opinion, it only highlights to users of financial statements the inherent uncertainty regarding the assumptions IAS 41 is based on.

Mr. Finn also stated that most of the costs of compliance were incurred in the transition phase. The consultants have developed a model that they will use for a few more years until FFF believe that a new model needs to be developed. Each year the assumptions underlying this model will be reassessed to ensure its validity and relevance.

Benefits of the Standard

Despite the costs, Mr. Finn believed that the benefits outweighed the cost. The main benefit he stated was a more accurate reflection of the value of the company. He believed that without the standard the true value of the company would be greatly underestimated. Especially for a company in which the main product would take 20 to 30 years to fully mature. Mr. Finn shared the following:

"So to plant 500 acres of teak trees we spent a million dollars in the last few years. But if we were to sell it when it matures it would be worth around $20m. So I think it's a very good honest attempt to put a true value on something that is difficult to value."

"Yes…it gives the opportunity to put a fair value on the tree. If you spend a dollar to put the tree into the ground, after 3 years, that tree's value would still not only be a dollar."

Monitoring and enforcement of IAS 41

When asked whether monitoring compliance of the standard would be difficult for a developing country such as Fiji, Mr. Finn stated that given the lack of sophistication of Fiji's market and limited resources that there are opportunities for entities to engage in overly optimistic financial reporting:

"You need a very sophisticated market to understand IAS 41 and because of IAS 41 is obviously very theoretical in its valuations and its open to huge amount of interpretations it gives an opportunity for people to sit there and say we're worth a hundred million dollars. So in that regard, not many people can actually police and control that amount properly."

However, he also stated that as a company you would not want to overvalue your company as it could expose the company to potential litigation. Furthermore, auditors act as a control to ensure that the assumptions underlying the valuation of biological assets are reasonable and conservative.

When asked whether he believed other authorities and institutions could do more to create awareness to educate companies and users of financial statement regarding IAS 41 he stated the following:

"The obvious answer is yes but the practicality of doing it is another story. Institutions in Fiji such as SPSE spend a lot of effort getting people to understand the meaning of the value of shares; and understanding what goes underneath that share value is another job again. So the answer is yes but it's not the time to launch into it in a major way."

He also felt that as most agricultural companies are small scale and operate on a cash basis that there is no real need at this time for awareness campaigns or information sessions on IAS 41, however it should remain a subject for specialized accounting forums. The need for this would become very real when more large scale agricultural companies are established.

Conclusion

The paper sought to explore the issues of complying with IAS 41; one of the most controversial standards due to the complexity involved in valuing biological assets. Biological assets' value increases over time and increases in value relate not only to price changes but to physical changes as well. Furthermore, biological assets are subject to greater risks such as natural disasters and pest and infestation. Determining a value for biological assets thus requires a number of assumptions to be made. However, given the difficulties of complying with this standard, this paper finds a company that has been able to successfully apply the standard. Although significant costs were incurred, the company believes that the benefits of the standard outweigh the costs. The main benefit relates to improved financial reporting through the reflection of a more accurate valuation of the company. The company believes that this improved financial reporting would lead to better decisions being made both by internal users and external users.

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