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Changing Focus From Climate Change To Climate Solutions

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AUSTRALIA: CHANGING FOCUS FROM CLIMATE CHANGE TO CLIMATE SOLUTIONS

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"Give a man a fish, and he will be hungry again tomorrow; teach him to catch a fish, and he will be richer all his life."

This article paraphrases the above and argues that: "*mining lithium leads to short term limited gain whilst manufacturing lithium batteries and electric cars will ensure long term prosperity.*"

Introduction

Ms. Robyn Denholm, is the Australian-born chair of Tesla – a company best known for both having a celebrity founder, Mr. Elon Musk, and for being the world's biggest electric vehicle (EV) manufacturer. On June 2, 2021, Ms. Denholm delivered a keynote address on the company's environmental, social and governance credentials to the *Minerals Council of Australia*.

A key aspect of her talk was her belief that Australia can be a big winner in the global transformation to renewables and sustainable energy. All up, she said that there were about $5,000 worth of minerals and metals in every Tesla EV. Altogether, Tesla was on track to spend more than $1 billion a year on Australian-mined lithium, nickel and other metals needed to make batteries for its vehicles.[1]

Such numbers indicates that if Australia embraces the world's accelerating transition to clean energy it could become a renewable energy superpower. But first, it must turn its focus from exporting planet-warming fossil fuels (e.g. coal and gas) to exporting the minerals required for EV and other battery technologies. But this alone is not enough. This article will analyse the steps Australia must take to transition from being just a miner of lithium-ore; to becoming an onshore processor of lithium into higher-value products such as battery cells; and ultimately making the EVs that need these lithium batteries. The obstacles that the country will face in this transformative process will also be explored.

The Great Lithium Boom of 2020

The markets for battery ingredients such as lithium and cobalt have, in the recent past, been very volatile. Prices soared from 2016-18, but then came under pressure in 2019 from a sudden influx of new supply that outpaced demand. In that year, there was a rush of new mining projects that tipped the industry into oversupply, and this was compounded by reductions in Chinese subsidy programs that put a pause on the EV revolution in that country. The price of hard-rock lithium concentrate, known as *spodumene*, then crashed by nearly 50% during 2019 and continued downwards in the first half of 2020 with the COVID-19 pandemic threatening to drive car sales even lower.

Australia is the world's top exporter of lithium, accounting for 55 per cent of global supply, which it ships mainly to China for processing. Prices collapsed from a 2017 peak of $US 25,000 per tonne of lithium carbonate equivalent (LCE) to a low of $US 5,000 in 2019. This market downturn pushed some Western Australian operators to breaking point that year.[2]

But as it turned out, 2020 was a 'tale of two halves'. In the second half of the year, there was a post-pandemic recovery push with world governments starting to unleash 'green' stimulus programs. With car makers coming on-board and ramping up plans to electrify their vehicle fleets, investors and analysts started showing renewed optimism about battery demand and bet billions on a major comeback in critical minerals including lithium.

Post the initial few months of the pandemic, after the initial shock freezing of the global manufacturing and supply lines, global battery demand increased significantly. Lithium batteries were not only required for EVs, but also for storage of solar power generated both commercially and domestically. After China brought covid-19 under some control, the demand for EVs increased in China resulting in an uptake of lithium-ion batteries to store renewable energy. Britain said it would ban new petrol and diesel car sales from 2030. Europe rose to become the world's largest EV market. And new US President Joe Biden laid out plans to boost the sector with a roll-out of 500,000 EV charging stations and vowed he would make all federal fleets fully electric. EVs finally look poised to take the ascendancy over their petrol-powered rivals.

This renewed optimism about the EV revolution and signs of strengthening sales in China and Europe has not gone unnoticed by investors. As key ingredients in the batteries for EVs, lithium and other mineral prices showed a significant turnaround. Interest in the lithium mining sector has soared with each new announcement of a major car maker's plans to go fully electric or major economies announcing multibillion-dollar investments to push the electrification and decarbonisation of their transport infrastructure. UBS is projecting EVs to comprise 40 per cent of new vehicle sales by 2030, fuelling an increase in lithium demand.[3]

Demand for lithium is now more solid and it is across three major fronts, not just one. Previously, China was carrying pretty much the entire growth – as most lithium processing and battery manufacturing was done in that country – but now Europe and latterly the US are also demanding the minerals. As a result, the share prices of Australian lithium producers have been soaring since October. Analysts are expecting 2021 price rises for lithium products including spodumene, carbonate and hydroxide of 10 per cent on average.

Globally, demand sits at about 300,000 tonnes of lithium-carbonate equivalent, and this is expected to triple by 2025 and then likely double again through to 2050, as the change of pace sweeping the EV industry accelerates.[4]

Clearly Australia mining industry is on to a winner. Here is a pathway to reduce its dependence on exporting fossil fuels. However, to completely eliminate its dependence on fossil fuels (e.g. coal) in a politically feasible manner, more steps will need to be taken.

The Next Step: Processor of Lithium Cells

In her talk to the *Minerals Council of Australia*, Ms. Denholm, the chair of Tesla, emphasized her company's immensely important contribution to the decarbonisation of the planet by its pioneering push to replace combustion engine cars with EVs.

However, she said that although Australia is capable of supplying almost all of the lithium-ore and other minerals required by Tesla's global production needs, the country was missing out on a far more valuable role in the global supply chain – that of refining the lithium and processing the battery cells. Ms. Denholm said that while Australia is rich in reserves of battery raw materials, large amounts are typically shipped thousands of kilometres away to be processed and turned into higher-value products such as battery cells in China and other Asian countries due to an absence of a strong local refining sector. She said that Australia should be prioritising developing and expanding its onshore refining capabilities, which would drive down costs and eliminate carbon emissions.[5]

"Australian mining is in the middle of a rapid and important transition: from exporting climate change to exporting climate solutions. The opportunity for Australia is extraordinary, and now is the time to seize it."

An estimated three quarters of Tesla's lithium needs and more than one third of its nickel is sourced from Australia. Globally, even though Australia supplied nearly 50 per cent of the world's lithium ore last year at a value of about $US100 million ($130 million), it supplied none of the refined product suitable for battery cells.

"If it were processed onshore in Australia, the value would have been more like $US1.7 billion. So that's a $US1.6 billion annual opportunity and growing."

"Australia has the minerals to power the renewable energy age throughout the world in the coming years. It will require massive innovation: we need to scale up at an extremely fast pace and mining needs the same kind of innovation as the industries it supplies."

The Australian government has taken notice of this. It has made a top priority of supporting the Australian resources industry to develop downstream, value-adding processes for critical minerals. Construction of a new refinery to produce lithium hydroxide in Perth appears on track to begin later this year after conglomerate Wesfarmers received approval for the project from the State's environmental regulator.

Manufacturers around the world are increasingly concerned about meeting growing environmental and social demands of their customers and emerging market requirements anticipated in future European Union battery regulations. As mining processes account for half of a battery cell's carbon footprint, low-carbon minerals will be at an increasingly strong advantage in the future. Ms Denholm said the best way to reduce the carbon footprint of minerals was to stop shipping them *"across 9000 kilometres of ocean"* before refining them. [See Appendix 1 on the flip-side of lithium batteries, i.e. can it lead to a CSR nightmare?].

However, why stop at refining? Why not produce the battery cells? And what is the impediment to Australia manufacturing the finished product, i.e. the EV itself?

Why Cannot Australia Manufacture EVs?

Tesla is putting up what Elon Musk calls 'giga factories' in Berlin, Shanghai and Austin, Texas – ahead of an unfolding boom in electric vehicles (EVs) and will come online in the next 12 to 36 months. Tesla is expanding fast and could potentially be producing as many as 2.1 million cars by 2025, giving it a growth rate of about 35 per cent per year.[6]

Why are none of these car manufacturing factories in Australia? Why are the European and Japanese car manufacturers not interested? The answer is tragic. Australia has lost its car manufacturing expertise due to its high labour costs and outdated factories.

Australia, like the USA, became a manufacturing powerhouse after World War II. However, manufacturing expertise and ingenuity was slowly eroded when cheap labour overseas – coupled with efficient global supply-chains – moved Australia's manufacturing capability offshore to Asia in the 1980s and 1990s. Because of its high labour costs, Australia's manufacturing businesses assumed they could not be competitive in manufacturing; but instead could just live off its service, education, and financial sectors, cushioned by the worldwide demand for its staples in agriculture and mining. Slowly, Australia's car industry that was once the backbone of manufacturing in Australia since 1925 was lost (along with its related know-how).

Australian manufacturing has had many challenges over the past decade including: the Global Financial Crisis; an extended period of relatively high exchange rates (which reduced from a high of 0.79 vis-à-vis the USD only from January 2018); the rapid rise of China as 'the world's factory' and Australia's largest trading partner; the end of local automotive assembly operations in 2017; the onset of digitalisation and 'the fourth industrial revolution'; and large increases in local energy and other input costs.[7]

Today, the 'lucky' country has become the 'lazy' country, with Australia's minerals being exported to other countries, especially China, to manufacture products and sell them back to it. Australia's wool is imported by China, not for its own consumption, but to value-add and export to the world. The list goes on. Australia's supply chains are dominated by very few countries; whose interests vary from its own. Of recent times, Australia has been subjected to 'bullying' by being over-dependent on some countries that import large quantities from its agriculture and mining sectors.

Clearly, there is an urgent need in the longer term for Australia to expand from an economy that extracts and farms to one that adds value and manufactures complex things in a sustainable way. Setting up car factories again to manufacture EVs are a start, but in the long-run, Australia needs to support advanced manufacturing, not just primary production. This means that Australian companies must manufacture complex products such as drones and robotics, renewable energy, processed food for export and the like, so they can scale up to become global powerhouses that can compete on quality, not on price.[8]

Lessons From Europe

Where did Australia go wrong? Let us learn from what is happening in Europe. An excellent essay in the *Economist* magazine, analyses the reason why European companies have fallen behind their American competitors.[9]

The first reason is that European firms seem to have been *outmanaged*. The authors analysed firms competing in the same sector over the past 20 years and found that incumbent American companies mostly focused on to churning out bigger profits and were better positioned for *future success* than their European counterparts. This forward-looking approach is the domain of management accounting.

A second reason Europe fell behind in recent decades is that its biggest firms are in the *wrong industries.* The sectors European firms dominated 20 years ago, such as insurance or telecoms, have grown at a glacial pace. America, by contrast, had 20 years ago already made significant inroads into software and e-commerce – industries that would soon redefine the global economy and generate trillion-dollar valuations. The political protection afforded in Europe to businesses – e.g. from hostile takeovers (rare in mainland Europe) — is one reason their financial results are underwhelming.

The third, and most striking reason that Europe has fallen behind, according to the *Economist*, is the *lack of newly created firms* in its blue-chip indices. Many of the biggest companies in America, such as Amazon, Netflix, Tesla and Facebook, are young enough to be run by their founders. In Europe, old names prevail. For example, of the world's 142 listed firms worth over $100bn, 43 were set up from scratch in the past half-century, 27 in America and ten in China. Only one was in Europe: '*SAP'*, a German software group founded in 1972. Half of Europe's richest ten billionaires inherited fortunes spawned long ago; in America nine of the top ten are wealthy solely because of companies they founded.

Finally, and this is an important lesson for Australia, is that European companies complain that they face a *less favourable business environment* at home than they encounter elsewhere. Europe's brand of capitalism is often softened by a stronger role for unions. That has its allure, as workers toil shorter hours and enjoy greater job security. It also means higher labour costs. The one major reason that Australia lost its car manufacturing industry was its higher unionised labour costs. This would, however, not be an issue in the highly automated giga-factories like those being constructed by Tesla.

The Role of Management Accountants

If Australia is contemplating boosting its manufacturing capabilities across all types of skills and technologies, this must go hand-in-hand with professionally qualified management accountants to provide reliable information for decision making. All organisations, especially manufacturers, need *reliable cost information* to take strategic decisions that will affect the future of their organisations. Such information is best provided by those who are professionally trained in strategic cost management and business analysis.

A financial audit of past transactions has very little decision information to make strategic decisions, especially if the past is very different to what the environment is going to be in the future. In a world of uncertainty, the one thing we are certain about is that the Post-COVID-19 business environment is going to be very different from anything experienced in the past. Yet, governments have placed statutory obligations on financial statement auditors in auditing the past; but cost auditors have no such statutory backing in auditing numbers that affect future performance.[10]

The implications of getting cost numbers wrong are staggering. Faulty costings result in faulty strategic decision making in pricing, quality, marketing, supply-chain, product mix etc.; which then have a flow on effect in many related industries. Going hand-in-hand with its investment in manufacturing capability, governments must also recognise the need for *statutory strategic cost audits,* to ensure that the resource allocations of government funds are made not only in the most strategic manner but also that value is created in a sustainable manner safeguarding the interests of the future generations.

Summary

The world is transitioning into to clean energy rapidly. With the significant demand for Australian-mined lithium, nickel and other metals needed to make batteries, its political and business leaders have an opportunity to make Australia a renewable energy superpower by re-focusing from exporting planet-warming fossil fuels to exporting the minerals required for EV and other battery technologies.

After this re-focusing of the mining sector, Australia must then transition from being a lithium-ore exporter; to becoming an onshore refiner and processor of lithium into higher-value products such as battery cells. Ultimately, it must make re-capture its vehicle making expertise – and have an investment environment that is welcoming to both local and overseas car manufacturers that need these lithium batteries.

Australia lost its manufacturing expertise mainly due to unionised higher labour costs, forcing manufacturers to locations with cheap labour. Whilst there were many other factors at play – e.g. the phasing out of government subsidies and the inability to innovate and produce the cars that consumers wanted – high labour costs were the principal reason. But today's factories are different, heavy automated, with robotics and artificial intelligence (AI). Even the energy to run these giga-factories are sourced from renewable solar and wind energy that is stored in lithium batteries on site.

It is vital that Australia transitions from 'exporting climate change' to 'exporting climate solutions'.

The opinions in this article reflect those of the author and not necessarily that of the organisation or its executive.

Appendix 1

EV Batteries – A CSR Nightmare?

The projected demand for electric vehicles (EVs) means a significant demand for EV batteries, and the mineral raw materials like lithium that they are made of. Despite the largely positive research that have found EVs good for the environment, the growing numbers of EVs present serious problems both at the start of life (mining for raw materials and battery production) and at the end of life (recycling and waste-management).

There two main modes of battery production; *primary production*, using mined raw materials and *secondary production* (i.e., the recycling of the key materials in used batteries).

In a recent article in *Nature*,[11] the authors estimated that for *primary production*, it takes 250 tons of the mineral ore spodumene when mined, or 750 tons of mineral-rich brine to produce one ton of lithium. The processing of such large amounts of raw materials can result in considerable environmental impacts. Production from brine, for example, entails drilling a hole in the salt flat, and pumping of the mineral-rich solution to the surface. However, this mining activity depletes water tables. In Chile's Salar de Atacama, a major centre of lithium production, 65% of the region's water is consumed by mining activities. This affects farmers in the region who must then import water from other regions. The demands on water from the processing of lithium produced in this way are substantial, with a ton of lithium requiring 1,900 tons of water to extract, which is consumed by evaporation.

By contrast, the authors calculate that *secondary production* (i.e., recycling) would require only 28 tons of used lithium-ion batteries (LIBs); or around 256 used electric-vehicle LIBs. Obviously, the net impact of LIB production can be greatly reduced if more materials can be recovered from end-of-life LIBs, in as close to usable form as possible. However, in the rapid-growth phase of the EV market, recycling alone cannot come close to replenishing mineral supplies needed.

Using conservative assumptions of an average battery pack weight of 250 kg and volume of half a cubic metre, the authors calculated that the resultant pack wastes would comprise around 250,000 tonnes and half a million cubic metres of unprocessed pack waste when these vehicles reach the end of their lives. Although re-use and current recycling processes can divert some of these wastes from landfill, the cumulative burden of EV waste is substantial given the growth trajectory of the EV market. This waste presents several serious challenges of scale – in terms of storing batteries before repurposing or final disposal; in the manual testing and dismantling processes required for either actions; and in the chemical separation processes that recycling entails.

Initial concerns regarding resource constraints for LIB production scale-up focused on lithium; however, in the near term, reserves of lithium are unlikely to present a constraint. Also, LIBs are anticipated to last 15–20 years based on calendar aging (the aging due to time since manufacture) predictions—three times longer than lead–acid batteries. Of greater immediate concern are cobalt reserves, which are geographically concentrated (mainly in the politically unstable Democratic Republic of the Congo). These have experienced wild short-term price fluctuations and raise multifarious social, ethical, and environmental concerns around their extraction, including artisanal mines employing child labour.

In addition to the environmental imperative for recycling, there are clearly serious ethical concerns with the materials supply chain, and these social burdens are borne by some of the world's most vulnerable people. Given the global nature of the industry, this will require international coordination to support a concerted push towards recycling LIBs and a circular economy in materials.

Another concern is that for repurposing and second-use applications, automotive battery packs are currently dismantled by hand for either the second use of the modules or for recycling. The weights and high voltages of traction batteries mean that qualified employees and specialized tools are required for such dismantling. This is a challenge for an industry in transition with a shortage of skills. An *Institute of the Motor Industry* survey in 2015 found only 1,000 trained technicians in the UK capable of servicing EVs, with another 1,000 in training.[12] Given there are 170,000 motor technicians in the UK, this represented less than 2% of the workforce. There is concern that untrained mechanics may risk their lives repairing EVs, and these concerns logically extend to those handling vehicles at the end-of-life. Additionally, it has been suggested that manual dismantling, in countries with high labour costs, is uneconomic with respect to revenues from extracted materials or components.

Despite these challenges for recyclers at end-of-life; these 'spent batteries' may also present an opportunity as manufacturers scramble for access to strategic elements and critical materials for key components in EV manufacture, i.e., recycled lithium-ion batteries from EVs could provide a valuable secondary source of scarce materials.

Clearly, EV design must strike compromises between crash safety, centre of gravity and space optimization, which must be balanced against serviceability. These conflicting design objectives often result in designs that are not optimized for recyclability, and that can be time-consuming to disassemble manually.

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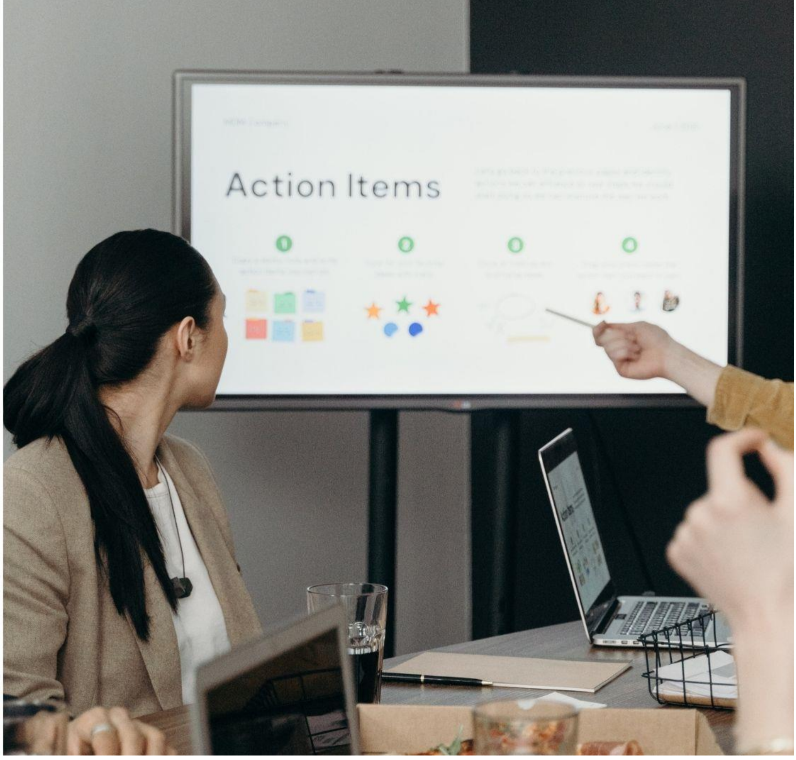

THE 6-S PHILOSOPHY OF PROJECT MANAGEMENT: NAVIGATING YOUR ORGANISATION THROUGH COVID-19 & BEYOND!

Dr Chris D'Souza
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"The secret of getting ahead is getting started. The secret of getting started is breaking your complex, overwhelming tasks into small manageable tasks, and then starting on the first one." – Mark Twain

Our world today is undoubtedly going through an extremely difficult time as a result of Covid-19. Many of us are grieving over the loss of near and dear ones. The global economy is also facing turbulent and uncertain times and some of us are facing job losses as well as economic insecurity. Many organisations are facing very tough and turbulent times, some have collapsed, and others are on the brink of collapse.

One year ago in the middle of March 2020, I had to prematurely cut short my overseas trip and rush home to Melbourne. We had to cancel a large number of CMA programs, as Australia and other countries were shutting down their borders to combat Covid-19. Any prospect of international travel seemed bleak for years ahead. Back home alone on a 14-day home quarantine, the future looked bleak for me personally as well as for CMA Australia. One year later the world is still struggling to cope with Covid-19, and it would probably be an understatement to say that the future still looks turbulent and uncertain. But on a personal level I am incredibly happy with the way I have navigated my life through these very tough times.

My secret? I have used Project Management as my guiding philosophy in managing both my personal and professional life through these Covid-19 times. I am also proud of the way our organisation has navigated our way through these Covid-19 times. Our Management team here at CMA has also used *a* philosophical approach to *Project Management* to navigate the turbulent Covid-19 storm, remain afloat, and emerge one year later as a stronger and tougher organisation ready to face the future.

Achieving Organisational Success by Project Portfolio Management

What is a Project Portfolio?

It is often assumed that projects are undertaken in large organisations which build buildings, roads, airports, or other such large undertakings. However, every organisation, big or small, is required to regularly undertake multiple projects, the cumulative success of which is responsible for and results in the success of the organisation as a whole. All the projects taken together constitute the Project Portfolio of the organisation

Project Portfolio Management – Do or DIE – Key to Organisational Success.[1]

To survive and not die, organisations need to systematically **D**esign **I**mplement and **E**valuate **(DIE)** its portfolio of projects. These three phases form part of the project portfolio management within organisations. The acronym DIE is significant as it is often crucial for organisational survival, especially in a crisis like the current Covid-1919 pandemic. DIE also means a specialised machine tool used in *manufacturing* industries as a blueprint to cut and/or form material to a desired shape or profile. Thus, the acronym DIE used in Project Portfolio Management symbolises a blueprint for organisational success.

A Philosophical Approach to Project Management

This philosophy of project management extends project management principles to all areas of business and life – I consider my own life as a project and my life goes through a life cycle which is initiated at birth, planned during the years of growth, executed through one's productive life and the process of evaluation and completion starts in the golden years of retirement and inevitably closes with death. This life cycle also pertains to companies and other organisations.

A philosophical approach to organisational management comprises the following key components:

- Organisations can be best managed by systematically breaking down the many components required for its success into manageable projects. This philosophy recognises that achieving organisational success can be a daunting task and suggests that breaking down this into appropriate smaller components and then running them as projects can be the key to success.
- The success of these manageable projects can be achieved by primarily utilising the organisation's collective experience in the "application of knowledge, skills, tools, and techniques to project activities"[2] The utilisation of ***experience*** is, in my opinion, the key to success.
- If an organisation can ensure that most of its projects and all of the critical projects are successful, then the success of these key parts will ensure success of the organisation as a whole.

This philosophy can also be expressed in the following terms:

- 'Divide and conquer'.
- 'Delegate and achieve success'.
- 'Tasks that seem overwhelming can be achieved by breaking down into manageable segments'.

Often organisational management can look daunting and overwhelming when viewed as a whole – thus taking a philosophical approach to the myriad of tasks to be done makes any project much more manageable. Note that the philosophy applies not only to organisational management but also to managing the busy lives of executives.

In my opinion every manager and organisation will greatly benefit from the conscious application of a philosophical approach to project management in managing their businesses. Conscious application does not require every manager to obtain a PMP certification in Project Management or to read all 592 pages of the *Project Management Book of Knowledge* (PMBOK®).

Instead, in my opinion, every senior manager should have:

- An awareness of the importance of applying good practice Project Management in projects of any size.
- An understanding of essential elements, including the Leadership Role of the Project Manager, Project Planning, Risk Management and Stakeholder Engagement.
- An understanding of the principal elements of design control to be applied within projects.

My proposition is that every manager and even other professionals like doctors, engineers, accountants etc (even politicians) should know and understand the basics of project management. I would go even further than that and suggest that having project management training at school level would provide our children with a set of invaluable skills to help them navigate their way through life and work.

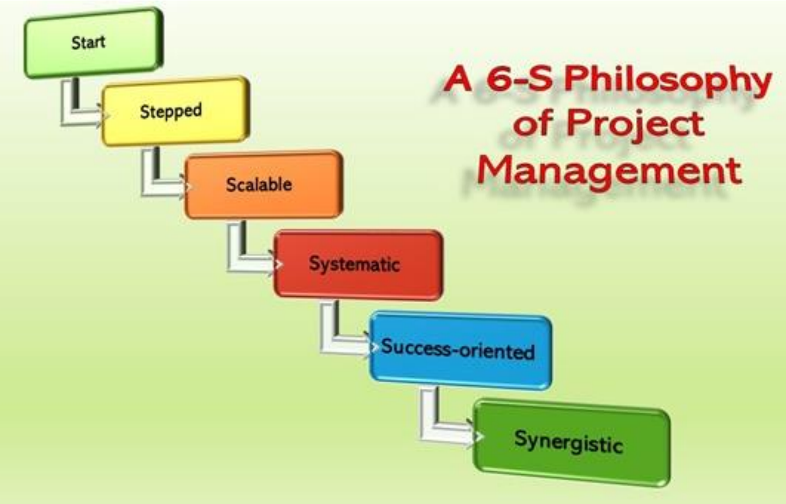
Of course, if a particular project is exceptionally large and involves millions of dollars then it would require the use of trained professional project managers and potentially sophisticated project management software like *Primavera*. However, even in such large projects, it would be advisable to adhere to what I call the 6-S philosophy of project management, rather than get lost in the jungle of PMBOK® I am not questioning the validity of the knowledge contained in the book, in fact I have referred to it in various places in this article. My proposition is that you should treat it like a cafeteria – just go in there and pick what you need to apply to the 6-S philosophy. My criticism is that the book has been designed by people who take an engineering approach to project management whereas the success of organisations depends upon taking a strategic approach to project management as explained below.

The 6-S Philosophy of Project Management

The 6-S philosophy of project management for organisations, developed over years of consulting work, is summarised as follows:

1. Start
2. Stepped
3. Scalable
4. Systematic
5. Success-oriented
6. Synergistic

Implementing the 6-S philosophy of project management and organisation can consciously work its way towards successful achievement of its strategic objectives.



1. START

As the well-known philosopher Lao Tzu said:

'A Journey of a thousand miles starts with a first step'.

An organisation has limited resources and potentially an exceptionally large number of projects on its wish list. It is neither possible nor desirable to attempt all possible projects. The senior leadership team within an organisation is therefore tasked with selecting only those projects which will help it attain its strategic objectives and making a start on at least one of them.

This selection of the right projects from a range of possible projects is the function of the design phase of Project Portfolio Management (Phase 1). What impact do you want the project to have on your organisation? Select projects which will help your organisation achieve its strategy. The wrong project even if successfully implemented has no impact on organisational success.

2. STEPPED

Stepped is defined as having or formed into a step or series of steps; carried out or occurring in stages or with pauses rather than continuously. But with each step there is continuous improvement (Kaizen).

Kaizen (Continuous Improvement)

In the CMA program we talk about a time in Japan when Toyota found that their factory was taking 8 hours for gear box manufacturing whereas in Germany Volkswagen was doing it in 4 hours. They sent their engineers to study Volkswagen's production and when they came back, they set out to match Volkswagen. They achieved that celebrated milestone and then set out to improve on it by reducing the set-up time from 4 hours to 2 hours. Once that was achieved and celebrated, they took the next step and reduced set up time from 2 hours to 1 hour – one more small step and victory celebrated. Every small step was thus not only celebrated as an achievement, but also motivated them to take the next step and they did that till the set-up time was reduced to 3 minutes. From 8 hours to 3 minutes was not achieved as one project or in one shot. It was the cumulative result of a number of small steps. I believe the Japanese were using the 6-S philosophy of project management in Kaizen.

Focus on the Small Milestones as much as on the Final Destination.

'Rome was not built in a day' and '*From little things big things grow'* aptly conveys the importance of the philosophy in achieving an ambitious final target.

If you focus on the destination at the start of your journey instead of focusing on making sure you are taking the right steps and going in the right direction, there is a danger that you might reach the wrong destination. Take the famous example of Boeing 737Max – when the project to develop the plane was completed and the aircraft launched it was deemed to be a great success as Boeing proceeded to manufacture a couple of aircrafts every day. But in hindsight we now know that it was a failure. I suggest that in focusing on getting the entire aircraft (large project) ready they lost focus on getting crucial little things right. It is now well known that it was the failure of one of these smaller MCAS project that led to the huge problems that Boeing is facing today.

3. SCALABLE

Step 2 of the 6-S philosophy of project management revolved around breaking up the large task of achieving the strategic objective of an organisation into smaller achievable objectives. It follows that most projects will need to be repeated on a larger or smaller scale on an ongoing basis. So, it does not make sense to have to reinvent the wheel at the start of every project. Both at the design phase and in the planning part of the implementation phase the element of scalability needs to be kept front and centre of the process.

For example, in the case study of CMA Australia (discussed later in this article), when we designed the Zoom program in March 2020 at the onset of the pandemic, it was first meant to be delivered to a small group of participants from Singapore. But it was designed to be scalable, and the same delivery design was then applied in March 2021 where it was delivered in the same basic format to 102 participants from 20 countries.

Another good example is this article, it began as a project for a webinar. The objective of the project was to design a webinar to help our members meet the challenges they will be facing due to the pandemic. As always it was scalable, and its scalability helped me to create the 6-S philosophy of project management. It can be further scaled up to be a chapter in a book on Management and potentially I could scale it up to be a book on its own. It could also be scaled up to be included into a CPD program in project management.

4. SYSTEMATIC

This is where we get down to actually implementing individual projects. Now we move from portfolio management to systematically managing individual projects. The 6-S philosophy to individual projects will also help in achieving success at this stage.

Once the right projects have been selected, these projects move into the Implementation phase (Phase 2). In this phase we go through the four stages in the life of the project (aka Project life Cycle):

1. Project Initiation – Start
2. Project Planning – Scalable & Stepped
3. Project Execution – Systematic & Success-Oriented
4. Project Completion / Closure – Synergise

In this phase we can go the cafeteria called PMBOK® and carefully select the techniques and methodology required to successfully implement your project. In this process you need to rely on your experience to make appropriate selection. Remember however, the key to the application is the philosophy of project management i.e., the 6S's – Start, Stepped, Systematic, Scalable, Success-oriented and Synergise.

5. SUCCESS-ORIENTED

Before we undertake any project, we should ask the question – *Why undertake the project?* It should only be undertaken if it contributes to attaining the strategic objective of the organisation. A right project successfully implemented can be termed to be successful. Projects should be success-oriented at two levels – at the project selection level and throughout the project to ensure that they are in keeping with the strategic objectives of the organisation and this includes being agile enough to make required changes as circumstances change. And Covid-19 has reminded us that unforeseen crisis can upend the strategic objectives of projects as well as the organisation. The use of the AIM method (outlined below) is recommended whenever an external crisis strikes.

AIM (Abolish, Influence, Monitor) Technique of Crisis Management[3]

An example of the extent of externalities which can potentially impact projects actually happened when Covid-19 hit our world – almost all managements would have needed to revaluate and recalibrate their project portfolios to accommodate the changed circumstances.

When dealing with a crisis, use of the AIM technique is recommended, and this can be used effectively for managing projects in a crisis. AIM is how one should **manage** external factors, in decreasing order of preference, either:

1. **Abolish** if one can (as this increases the likelihood of success the most – obviously with Covid-19 that was not possible in the short-run).
2. **Influence** if one can't abolish (as this increases the likelihood of success but not as good as Abolish) or
3. **Monitor** if one cannot abolish or influence (this does not increase the likelihood of success at all but is all about terminating the work/project if the external factor is going '***pear shaped'***).

Evaluation Phase

Evaluating a project in terms of Project Portfolio Management is different from evaluating a project in terms of successful implementation. Here we look at the impact the project has had in achieving the strategic objectives of the organisation. Projects that have not been successfully implemented, in terms of cost and time for instance might still be considered successful in terms of contributing towards the strategic objectives of the organisation. Conversely projects that have been successfully implemented might, on evaluation, be deemed to have been unsuccessful in terms of meeting their strategic objectives.

Projects Failure – Implementation Failure vs. Impact Failure

On an Implementation level, project failure often occurs due to failure in one or more of the key aspects of project management listed above. In other words, projects are unsuccessful due to failure in cost management and/or failure in time management and/or failure in quality management and/or failure in scope management.

Projects that fail to meet their objectives in terms of cost and time might still be a success in terms of the overall organisational portfolio in that they still help achieve the strategies of the organisation. Conversely, a project could be successfully implemented but still be a failure in that it has not had the desired impact on the strategy of the organisation. This could be because of many factors due to the dynamic nature of the external environment that the organisation operates in. This portfolio risk needs to be understood and the risk needs to be managed and projects need to be recalibrated.

6. SYNERGISE

On a broader strategic level, as mentioned earlier, projects are evaluated in terms of their impact on achieving the strategic objectives of the organisation. Synergise here means that the combined activity of all projects undertaken by an organisation should result in a joint effect greater than the sum of their separate effects.

Projects should never be viewed in isolation, and they are only ever useful in the impact they have on achieving the overall organisational objectives. For example, if the individual impact of project A would be 2 and another similar project B with an impact of 2, the combining of the two projects A and B should give you an impact of 5 instead of 4 because they are synergised towards achieving a common strategic objective.

Take the example of the Olympic Games where there are over 300 gold medals to be won. Each of those gold medal events would be a project on their own. But synergised together, they create a far bigger impact called the Olympics which is far more prestigious than the sum of those individual parts if they were to be held separately and not under the Olympic umbrella.

Thus, the biggest benefit of consciously applying the 6-S philosophy of project management would be that the sum of carefully selected and designed individual projects would be far greater than the sum of their individual contributions.

Project Success in a Covid-19 World: CMA Australia – A Case Study

The Use of Project Management Philosophies to Achieve Success.

As mentioned earlier In April 2020, ICMA like many other organisations around the world, was staring at a complete disruption of its activities. At the time, the Australian Prime Minister warned that our borders could be shut for years. Locally in Melbourne, our office had to physically shut down due to Covid-19 restrictions. The big picture was daunting – survival of this crisis was at the front and centre of the minds of our senior leadership team. We first applied the AIM analysis on this crisis and realised that we had no chance of abolishing or influencing a global pandemic. So, all that was left for us to do was to Monitor and Manage our way through the crisis. ICMA applied the 6-S philosophy of project management to tackle the problem. Instead of stressing over the big picture, we decided to systematically embark on multiple small, simple and sensible projects which we believed could help us navigate the organisation through the Covid-19 storm and come out stronger on the other side. Some of the projects were as follows:

- Getting the CMA program deliverable on Zoom.
- Updating the Study material for the CMA Program to reflect impact of Covid-19.
- Transitioning our systems to create a virtual office with WFH capabilities.

- Systematically organising Webinars to engage members.
- Undertaking various research projects like the Global Response to Infectious Disease (GRID) index that were very topical and controversial.[4] [5]
- Redevelopment of the Website. www.cmaaustralia.edu.au
- 'Catch them young' project – engaging students who are prospective CMA's
- Global Zoom Program Project.

We achieved success in all these small projects by taking simple steps systematically and sensibly *(the 6-S approach to project management)*. By themselves none of the above projects looked significant, but as a portfolio of projects they helped us achieve our strategic objectives in a crisis. That is the reason why today we can claim to have had a successful year. In achieving our success in the projects we undertook, we strongly relied on the 6-S philosophy of project management.

Achieving Work Life Balance Using the 6-S Philosophy of Project Management

Not just organisations, but every individual, would regularly undertake projects in their personal life. For example, the first major project I remember undertaking was at the age of 16 when I initiated, planned, implemented, and successfully executed the silver jubilee celebration of my parents 25th wedding anniversary. Life can sometimes look overwhelming and daunting when we look at the number of things we need to achieve. By applying the 6-S philosophy of project management to life, we can break down life into small simple and systematically achievable projects. For example, health management could be one project, achieving academic qualifications (like an MBA or PhD) could be another project, and even your professional or job demands can be broken down to achievable projects; and then the skills, tools and techniques of project management can be applied to successfully achieve these.

Successful executives today need to achieve a suitable and sustainable work life balance. This requires balancing financial well-being, with health/physical well-being, with professional well-being, with emotional/spiritual well-being, with social well-being. This can often be exceedingly difficult. What if executives could apply the 6-S philosophy of project management to the whole of life management? Then they could have the following projects:

- *Financial well-being project* (have annual objectives and manage the achievement of that objective as a project)
- *Physical well-being project* (have monthly or quarterly objectives for aspects such as 'weight management' 'cholesterol lowering' 'improve VO2 max levels')
- *Emotional well-being project* (use techniques like meditation to manage stress)
- *Social well-being project* (projects which increase your social life as well as engaging in projects which give back to society)
- *Professional development project* (set up projects for expanding your knowledge in areas critically important to your career)

Personally, I have managed my life using the 6-S project management philosophy as I navigated my way through life successfully while attaining a balance in my life. Currently the project I am working on is setting up my pension fund to ensure a comfortable retirement. This requires a lot of planning and implementation – the first phase of which will finish in September 2022. Even this first phase has been systematically broken up into smaller, simpler and four smaller and sensible sub-phases. Having used the philosophy of project management in my approach I am reasonably confident of its success.

Another project I have just completed recently is a weight management project. In January this year, I found myself a somewhat overweight after a particularly indulgent holiday in Tasmania. I set myself a target of losing 12kg in 4 months – set up a project to manage my diet and activities and achieved my target with ease (ahead of schedule). I credit my success in this endeavour to the application of the 6-S philosophy of project management. Many years ago, completing my PhD and CPA studies were also managed as a project. Two decades ago, my migration from India to Australia was managed using the project management philosophy.

Many of you might also have intuitively used the project management philosophy in your various endeavours of life. However, it is my experience that consciously and actively managing the requirements of your business and life using the project management philosophy will reduce stress and ensure overall well-being, increasing the chances of success at all levels.

The 6-S philosophy of project management as applicable to life management and business management is probably being applied by people around the world in one form or another. So, in stating the obvious, I have two objectives:

- More people should use this "small-steps" philosophy in the application of project management techniques to manage their lives and businesses.
- Even those who are successfully using this philosophy, albeit not consciously, acknowledge the advantage of using it deliberately and consciously in all aspects of their lives.

Summary

It is not the intention of this article to be a comprehensive guide to learning project management. It is intended to arouse enough interest in project management to encourage you to use it in more aspects of life and business. There is no dearth of information at all levels, on most of the matters I have referred to in this article.

"Nothing is particularly hard if you divide it into small jobs." said Henry Ford.

I would like to conclude by paraphrasing the above quote of the greatest inventor of the 19th century *"Nothing is particularly unachievable is you divide it into achievable projects".*

Disclaimer:

The philosophy of project management referred to in this article is based on my own perceptions, and therefore may differ from the perceptions of experts in the field of Project Management.

INEFFICIENT CONTRACTING REMAINS MAJOR CHALLENGE FOR BUSINESSES

- **Inefficient contracting processes have slowed revenue and resulted in lost business at more than half of organizations surveyed globally**
- **92% of organizations plan wide-ranging changes to contract management**
- **99% do not have the data and technology needed to fine tune contracting processes**

More than half of the world's major companies surveyed are facing lost revenue and missed business opportunities as a result of inefficiencies in their handling of contracting processes, according to a new EY Law and the Harvard Law School Center on the Legal Profession survey.

The report – *How does contracting complexity hide clear profitability?* – is the second in a series of three surveys exploring the legal opportunities and challenges facing organizations globally. It encapsulates the views of 1,000 contracting professionals and leaders from law departments, procurement, commercial contracting and business development functions around the world.

More than half of business development leaders (57%) say their organizations have seen slower revenue as a result of contracting inefficiencies and 50% have missed out on business.

Although most (92%) organizations surveyed are trying to transform their handling of contracts, the majority of respondents are struggling in the face of significant obstacles. Almost all organizations (98%) say they face critical barriers while 38% say they have already tried to change and have failed.

Kate Barton, EY Global Vice Chair – Tax, says:

"Revenue growth is a fundamental goal for any commercial organization and effective contracting processes play a crucial role in making that possible. Contracting teams around the world know the value they can bring and they are making real efforts to transform, but the survey brings into sharp focus a whole range of obstacles that they must navigate if they are to make the improvements they are aiming for."

Cost-cutting pressures

One of the main drivers of change for contracting professionals is the pressure to cut costs. Almost all (99%) organizations are planning to reduce the cost of contracting over the next two years.

The scale of their plans is also striking with one in three larger organizations looking to reduce contracting costs by 30% or more.

Lack of clarity around decision-making

Another fundamental challenge for many survey respondents is that despite the widespread agreement on the need for change, many note confusion about where responsibility for managing contracts actually sits – a problem that can complicate the contracting process and transformation efforts. Fifty-nine percent of legal departments believe they play the leading role, while a similar proportion (56%) of contracting staff believe they are responsible. Meanwhile, 39% of business development professionals think they are the decision-makers.

The technology gap

Although most (70%) organizations have a formal contracting technology strategy in place, almost all (99%) say they do not have the data and technology needed to optimize their contracting process. As a result, there is a gap between strategy and execution and many organizations face increased risk because they are unable to measure, manage and control adherence to their policy.

Organizations are also struggling with how to put technology in place. Almost half (47%) of respondents say implementation is a major challenge and around one-third (34%) say they find it hard to recruit people with the skills needed to identify and implement the technology they need.

Weak contracting processes

The survey reveals a startling gap in processes for managing contracts. Sixty-nine percent of organizations do not require staff to use a template when drafting contracts, and the same percentage do not demand adherence to any rules or guidance.

Nearly half (49%) say they lack a defined process for storing contracts after execution and almost eight-in-ten (78%) say they do not systematically monitor contractual obligations. In addition, almost three-quarters (71%) of contracts are not monitored for deviations from standard terms.

John Knox, EY Global Legal Managed Services Leader, says:

“The importance of getting contracting right cannot be underestimated. For many organizations it is something of an ‘Achilles heel’, but with the right transformation efforts focused around people, process and technology, contracting can actually become a business enabler and differentiator. The survey shows that one way in which organizations aim to tackle these challenges is through working with subject matter leaders and external providers. This type of co-sourcing arrangement can help clarify responsibilities, centralize processes and help ensure the right work is aligned with the right resources so that organizations can focus on more strategic activities.”

David B. Wilkins, Lester Kissel Professor of Law, Vice Dean for Global Initiatives on the Legal Profession, and Faculty Director of the Center on the Legal Profession, Harvard Law School, says:

“Contracts are at the core of every business. They determine how growth happens and how risks are managed. It is therefore absolutely crucial that organizations have effective systems and processes to manage every aspect of the contracting process, from negotiation and execution, to termination or renewal, as well as an accurate understanding of the obligations, benefits, and risks across the entire spectrum of their contracts. Yet as the survey underscores, the fact that so many functions have an interest in – or responsibility for contracting – makes it difficult for most companies to manage their contracts effectively. As we enter a period of accelerated growth and risk, business leaders must find new ways to balance these internal interests and manage their contracting functions for the future.”

To learn more about the 2021 EY Law Survey, visit ey.com/law.

About the survey

The survey canvassed the views of legal department leaders as well as those from procurement, commercial contracting, business development, and legal entity management teams.

The result is a series of reports from EY and the Harvard Law School Center on the Legal Profession exploring the challenges facing legal departments around the world.

This survey is part of the 2021 EY CEO Imperative Series, which provides critical answers and actions to help general counsel reframe their organization’s future. For more insights in this series, visit ey.com.

"FREE-FLOW IMPROVISATION AROUND A MAIN STORYLINE": NOT ON STAGE, BUT IN YOUR OFFICE

Managers who can think on their feet during times of change and disruption will be vital to organisations seeking not to just survive but thrive.

If the COVID-19 crisis has taught us anything, it's to expect the unexpected. While many companies struggled with the crisis, some actually thrived.

A new study shows that in order to thrive in times of uncertainty, you need managers and employees who can think on their feet and act fast — without an instruction manual.

In other words, you need skilled improvisers.

While improvisation is key to organisational agility and helps to thrive in times of change and disruption, developing improvisational skills can take years of work.

So how do you become a skilled improviser? And how does your personality influence this process?

Learning from the pros

Recently-published research in the highly regarded Administrative Science Quarterly sheds light on these questions.

Dr Davide Orazi, senior lecturer in Marketing at Monash Business School), along with co-authors Pier Vittorio Mannucci (London Business School), Kristine de Valck (HEC Paris) set out to understand how individuals develop different types of improvisation skills over time.

Over two years, they documented improvisational actions in three different Live Action Role-Playing (LARP) groups across the world to create a comprehensive process of how players developed and enacted improvisational skills.

LARPs are performative games where participants play specific characters while interacting with others in a physical space, much like the guests of the *Westworld* park in the popular TV show.

In LARPs, players must constantly improvise to deal with continuous changes and surprises generated both by the plot and by other players' spontaneous actions.

"LARP is essentially free-flow improvisation around a main storyline," Dr Orazi says.

"The setting we choose mirrors organisational dynamics, with the advantage that improvisation is frequent and transparently observable."

Based on the popular game, *Vampire: The Requiem,* all LARP groups focused action on task completion, resource negotiations, and political alliances — making these games more similar to the corporate world than you may think.

Three types of improvisation

The researchers first identified three types of improvisation skills: imitative, reactive, and generative improvisation.

Imitative improvisation consists of observing what more experienced people are doing and matching their responses with minimal variation.

Imitative improvisation is an effective starting point that enables newcomers with limited experience to get involved.

Reactive improvisation allows people to use inputs from both the environment and others to develop their own original reaction to unexpected situations, with minimal reliance on others' actions as a guide. This type of improvisation builds on imitative improvisation, as it requires players to build on their existing experience to extrapolate new, original courses of action.

The peak of improvisation skill is generative.

Generative improvisation is about probing into the future and proactively trying new things in an attempt to anticipate (rather than react to) what could happen.

Inherently speculative, generative improvisation carries a lot of risks yet leads to the most innovative outcomes.

"Generative improvisation requires a higher degree of mutual trust among players, both to provide the improviser with the confidence necessary to pursue an idea that may not work out and to increase the chances that others are receptive to the idea instead of rejecting it," Dr Orazi says.

"This level of trust can be challenging to achieve, but once you reach a certain threshold, it can create a virtuous cycle, where people with strong social connections in the group find their ideas more readily accepted and thus are even more confident about proposing new ideas in the future."

Balancing collaboration and competition

But how do these skills develop over time?

"Based on two years of observational and interview data, we charted detailed trajectories of how each participant advanced their improvisation skills," says Davide Orazi.

The factor that most influenced improvisation skill development was whether an individual was competitive or collaborative.

According to Dr Orazi, competitive individuals tend to develop reactive improvisation faster.

"They act on as many inputs as possible, to the point of stealing the spotlight from others," he says.

"A competitive orientation is advantageous in the short term and helps to develop reactive skills faster."

However, being competitive in the long-run risks alienating others, who will progressively interact less and be wary of the over-competitive improviser.

This slows down the development of generative improvisation skills.

A collaborative orientation, on the contrary, slows the development of reactive improvisation in the short term.

"Collaborative players often 'sacrifice' themselves to let others use and react to available cues," Dr Orazi says.

"This emphasis on collaboration can stymie initial growth, but ultimately helps these players gain the social connectedness and environment of mutual trust necessary to develop the ability to improvise generatively."

Dr Orazi suggests managers need to balance the tension between competition and collaboration, pushing their employees to develop collaborative skills without hampering the competitive instincts of ambitious newcomers.

"A strong competitive drive helps to develop reactive skills that lay the foundation for ultimately achieving generative improvisation, but the latter requires collaborative efforts to be fully developed," he says.

The roadblocks of remote working

Improvisation is not necessarily an innate quality but a learnable skill.

Managers and employees who are capable improvisers will steer their companies through crises and paradigm shifts, from technological breakthroughs and changing trade regulations to environmental disasters and the myriad challenges associated with the COVID-19 pandemic.

But Dr Orazi cautions that while technological breakthroughs such as the shift to remote working may be effective reactions to disruptions in the short terms, it may damage improvisation development.

"A rich net of social interactions that fosters trust and psychological safety is necessary to help employees getting inspired by each other's cues and collaborate to come up with new solutions. It is already hard to accomplish this face to face," Dr Orazi says.

"The virtual environment creates further restrictions to social interactions that are deeply embodied and embedded in a physical space. "The risk is to get caught in a pattern of implementation and reaction, losing the enthusiasm to compete, collaborate, and experiment."

About the Author

Dr Davide Orazi joined Monash Business School in January 2017. He holds a PhD in Marketing (University of Melbourne, 2017), an MSc in Marketing Management (Bocconi University, 2010), and a BSc in Economics (Bocconi University, 2007). Davide is a consumer researcher mainly focusing on communication effectiveness and how individuals engage in compensatory consumptions to cope with self-discrepancies.

This article was first published on **Impact**.

CRYPTOCURRENCY UNDER THE MICROSCOPE THIS TAX TIME

The Australian Taxation Office (ATO) is concerned that many taxpayers believe their cryptocurrency gains are tax free or only taxable when the holdings are cashed back into Australian dollars.

ATO data analysis shows a dramatic increase in trading since the beginning of 2020. It is estimated that there are over 600,000 taxpayers that have invested in crypto-assets in recent years.

"This year, we will be writing to around 100,000 taxpayers with cryptocurrency assets explaining their tax obligations and urging them to review their previously lodged returns. We also expect to prompt almost 300,000 taxpayers as they lodge their 2021 tax return to report their cryptocurrency capital gains or losses." Assistant Commissioner Tim Loh said.

Last year, the ATO directly contacted around 100,000 taxpayers who had traded in cryptocurrency and prompted 140,000 taxpayers at lodgment.

Mr Loh explained that gains from cryptocurrency are similar to gains from other investments, such as shares. Generally, as an investor, if you buy, sell, swap for fiat currency, or exchange one cryptocurrency for another, it will be subject to capital gains tax (CGT) and must be reported.

CGT also applies to the disposal of non-fungible tokens (NFTs).

"We are alarmed that some taxpayers think that the anonymity of cryptocurrencies provides a licence to ignore their tax obligations." Mr Loh said.

"While it appears that cryptocurrency operates in an anonymous digital world, we closely track where it interacts with the real world through data from banks, financial institutions, and cryptocurrency online exchanges to follow the money back to the taxpayer."

The ATO matches data from cryptocurrency designated service providers to individuals' tax returns, helping us ensure investors are paying the right amount of tax.

"We know cryptocurrencies can be complicated. That's why our focus is on helping people get it right."

"The best tip to nail your cryptocurrency gains and losses is to keep accurate records including dates of transactions, the value in Australian dollars at the time of the transactions, what the transactions were for, and who the other party was, even if it's just their wallet address." Mr Loh said.

Businesses or sole traders that are paid cryptocurrency for goods or services, will have these payments taxed as income based on the value of the cryptocurrency in Australian dollars.

Holding a cryptocurrency for at least 12 months as an investment may mean you are entitled to a CGT discount if you have made a capital gain. In limited circumstances cryptocurrency may be a personal use asset.

"If you realise you've made a mistake and correct your return, we will significantly reduce penalties. However, failing to report on crypto-assets and not taking action when reminded will prompt penalties and potentially an audit."

The ATO have created a **cryptocurrency factsheet** with tips and information on how capital gains tax applies to cryptocurrency.

CLOUD COMPUTING IMPLEMENTATION COSTS MAY IMPACT P&L ACCOUNTS FOR YEAR-END

ASX200 companies may have to put expenditure incurred during the implementation of a cloud computing supplier arrangement into their profit and loss.

KPMG warns that many ASX200 companies may have to put expenditure incurred during the implementation of a cloud computing supplier arrangement into their profit and loss account for their 30 June 2021 year-ends, following a decision by international accounting standard-setters.

It is estimated that Australian companies spent more than $1bn on cloud in 2020, with the figure expected to grow as cloud-based computing or Software as a Service (SaaS) arrangements continue to rise in popularity as working practices change following COVID-19.

A customer in a cloud computing arrangement often incurs various up-front implementation costs, and currently many companies capitalise the costs of configuring or customising a supplier's application software in a SaaS arrangement.

The new global ruling by the IFRS® Interpretations Committee (IFRIC) – which is immediately binding in Australia – means that these costs will now likely be expensed as a service contract. It has immediate effect and will be retrospective, meaning that any costs capitalised with respect to cloud computing arrangements in prior years may need to be adjusted against the company's retained earnings.

Andrew King, CFO Advisory Partner, KPMG, said: "We advise that Australian companies which use cloud computing or SaaS arrangements urgently consider the implications of this ruling. For those entities with a 30 June financial year end there is limited time to understand what amounts have been capitalised previously and to perform an assessment on how they should be treated under the new guidance."

"If a company has an April or May financial year end and its financial statements are yet to be signed, they will also need to apply the changes."

"The likely outcome is more expense being recognised in a company's profit or loss account during the installation or implementation phase of a cloud computing arrangement, which is typically when the customisation or configuration work is performed. Costs for this work, data migration services, testing or training costs are likely to be expensed."

"In the instance that a company is unable to apply the changes by 30 June 2021 or the time its financial statements are signed – for example because there is no time to assess the potential impact, or the impact is so large that more time is needed to calculate the adjustments – companies will need additional disclosures in the financial statements on the potential implications and should be prepared to have this discussion with their auditor."

Cloud-based computing or SaaS arrangements are continuing to grow in popularity in Australia and overseas at a time when COVID-19 has re-focused 21st century ways of working. The focus of Australian Boards on cost-out strategies and demanding flexibility in their organisation's IT footprint, together with a focus from software vendors of pivoting to SaaS offerings means their prevalence will only rise, KPMG believes.

The timing of when the costs for configuration or customisation services are recognised under the new ruling will be dependent on who provided the service and whether the service is 'distinct' in the context of the cloud computing arrangement.

Andrew King added: "The ruling is retrospective, which will also lead to companies having to reassess previously-capitalised costs and consider whether they actually met the identifiability and control criteria to be recognised as intangible assets. If not, those costs may have been incorrectly capitalised in the past under the new guidance. Any costs capitalised with respect to cloud computing arrangements in prior periods may need to be adjusted against the company's retained earnings."

KPMG expects this ruling to be a catalyst for companies to review and update their accounting policies with respect to IT investment, including revising their Opex/Capex existing decision criteria. Given the accounting standard that relates to capitalising IT software costs (AASB 138 Intangible Assets) has not changed significantly in more than a decade, this review will be timely for many companies.

Andrew King said: "This ruling may have a flow on impact on planned IT investment budgets which may have been prepared on the basis that certain implementation costs associated with new cloud arrangements can be considered Capex. Given the next financial year is now less than a month away, many companies will have finalised their IT investment budgets for next year and these may now need to be revisited. It will also lead to a change in how future business cases for investment are prepared."

FINANCIAL CONTROLS FOR SMALL NFPS AND CHARITIES

The financial operations of small not-for-profits (NFPs) and charities are usually lean so that the entity can apply the maximum resources to its stated objectives. Implementing strong financial systems and controls with small staff numbers can be a challenge but not impossible by following a few basic principles:

1. Identifying risk pressure points

The directors and management need to set the 'tone at the top' and foster a control environment that is committed to good governance and internal controls.

Internal controls require a risk-based approach to identify areas that could prevent the entity from achieving its objectives. Knowing the probability and likely impact of risks, it is important to know what to prioritise.

2. Policies and Procedures

Sound internal controls systems require competent, reliable, and ethical staff and volunteers. Consider a strong hiring policy and ensure that the staff and volunteers are informed of company ethos, policies and procedures via an employee and volunteer handbook and orientation pack.

3. IT Controls

Whether using accounting software or Excel, personnel should understand basic cyber-attacks prevention, prevent unauthorised access through strong access and password policies, maintain privacy of information (discourage use of USBs) and prevent data loss through regular backups.

4. Segregation of duties

One person should not be authorising, processing and reviewing the entities' financial transactions. Establish clear financial delegations and limiting authority to approve purchases. Directors may be required to be involved in the approval process.

5. Cash disbursement cycle

Invoices and payroll should be reviewed by appropriate personnel prior to processing by finance. Employee reimbursements, debit and credit cards should be reviewed by a supervisor and transactions accompanied by a valid tax invoice.

The payment authoriser should review supporting documentation prior to approval. Limit petty cash held, and the amount paid through petty cash reimbursement.

6. Cash receipt cycle

Cash receipts and donations should be recorded in a log when received. Banking should be done on a timely basis by a person independent of receiving and general ledger functions.

7. Month end closing and financial reporting

Create a checklist for month-end and year-end signed off by the preparer and reviewer. The list should include the review of manual journal entries, bank and account reconciliations and financial statement preparation.

Financial information should be provided to directors and management regularly. Significant variations between actual and budget figures should be explained and followed-up.

8. Safeguard assets

Maintain inventory records of property and secure financial information and cash.

Policies should be designed to reduce the opportunities for fraud and theft.

9. Monitoring

Ongoing evaluation is necessary to ensure controls remain effective in case of changes in the entities' strategic direction, systems and staffing. Establish an audit and risk committee and perform internal audits if possible.

Every entity is different and it's a balancing act between having sufficient internal controls or having too many for a small team to handle. However, every entity is obliged to implement targeted internal controls to protect the organisation's assets, funds and confidential information. PKF is highly involved in the NFP sector and would be pleased to provide further support and guidance.

About the Author

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Frederick (Erick) is a Manager in PKF's Brisbane Audit team.

PANDEMIC TAKES TOLL ON WORKING WOMEN; MAJORITY ARE LESS OPTIMISTIC ABOUT THEIR CAREER PROSPECTS TODAY

- *Seventy-six percent of Australian women surveyed say their workload has increased since the COVID-19 crisis and sixty one percent of Australian women say household commitments have increased too*
- *Job satisfaction among Australian women has also declined from sixty nine percent pre-pandemic to forty seven percent*
- *A majority of Australian women surveyed feel less optimistic about their career prospects than before the pandemic; nearly a quarter may leave the workforce for good*
- *Some employers who are leading the way in gender equality have successfully supported women throughout the pandemic with flexible work practices and inclusive cultures*

Heightened workloads and household responsibilities during the COVID-19 pandemic are driving deep dissatisfaction among many women in the workforce, according to a new Deloitte Global report, **"Women @ Work: A global outlook"**.

The report finds that these increased responsibilities are having a significant impact on working women as 49% of those surveyed in Australia (compared to 51% globally) are less optimistic about their career prospects today than they were before the pandemic.

Additionally, the women surveyed were asked to consider their mental health and motivation at work at the time of the survey and pre-COVID. The women reported a 35-point drop in mental health and a 27-point drop in motivation at work now compared to their sentiment before the pandemic.

Representing the views of 500 women in Australia and 5,000 women across 10 countries, the research reveals a stark reality for women in the workplace: gender equality has regressed during the pandemic, stifling years of slow, but steady progress. Increased responsibilities at work and at home during the pandemic, coupled with non-inclusive workplace cultures, are resulting in diminishing job satisfaction and employer loyalty for women.

There are lessons to be learned from organisations that are focused on gender equality and inclusion.

Wellbeing decreasing: Women shouldering more responsibilities at work and at home

Since the pandemic began, 76% of Australian women surveyed say their workloads have increased – the most frequently-cited change in their lives brought on by the pandemic.

Women are also taking on more responsibilities managing household and caregiving tasks: 61% say they're spending more time on domestic tasks; 36% are spending more time caring for children; and 25% cite more time caring for dependents other than children.

Further the women who reported they needed to change their working hours as a consequence of COVID reported that their relationship with their employer is negatively impacted.

Women considering leaving: Employers not adequately supporting their workforces

Only 22% of women believe their employers have helped them establish clear boundaries between work and personal time. 46% of women have found it difficult to switch off from work and a third of Australian respondents believed that their organisations will care less about them if they switch off.

The survey suggests that women's wellbeing has fallen since the pandemic: only one third of women consider their mental wellbeing today to be "good" or "extremely good," compared to 70% prior to the pandemic.

The Australian women surveyed reported a 22-point drop in job satisfaction since the pandemic began. 57% of all women surveyed plan to leave their employer in two or fewer years, and a lack of work/life balance is the number one reason these women would consider leaving their jobs. Not only are many women questioning their current career prospects, but nearly a quarter are also considering leaving the workforce altogether.

Deloitte Chief Strategy Officer Clare Harding said the findings of the survey underlines the importance for businesses and government to rethink the level of flexibility and support required to address some of the issues identified in Australia.

"While the adverse impact on women's wellbeing, motivation, and engagement is obvious, our research also shows that some employers are getting it right: The women who work for these organisations report higher levels of mental wellbeing, job satisfaction, motivation and productivity," Ms Harding said.

"As we start to build workplaces for the future, we have an opportunity to get gender equality and inclusion right. Rather than setting back years of progress we can use this moment to move forward.

"This report illustrates how important it is to keep listening to the women in our workforce. We need to provide workplace flexibility to suit their individual needs. We need to consider the impact of the pandemic on working families – such as home schooling, childcare needs and mental health – and as employers we need to be proactive in supporting working families."

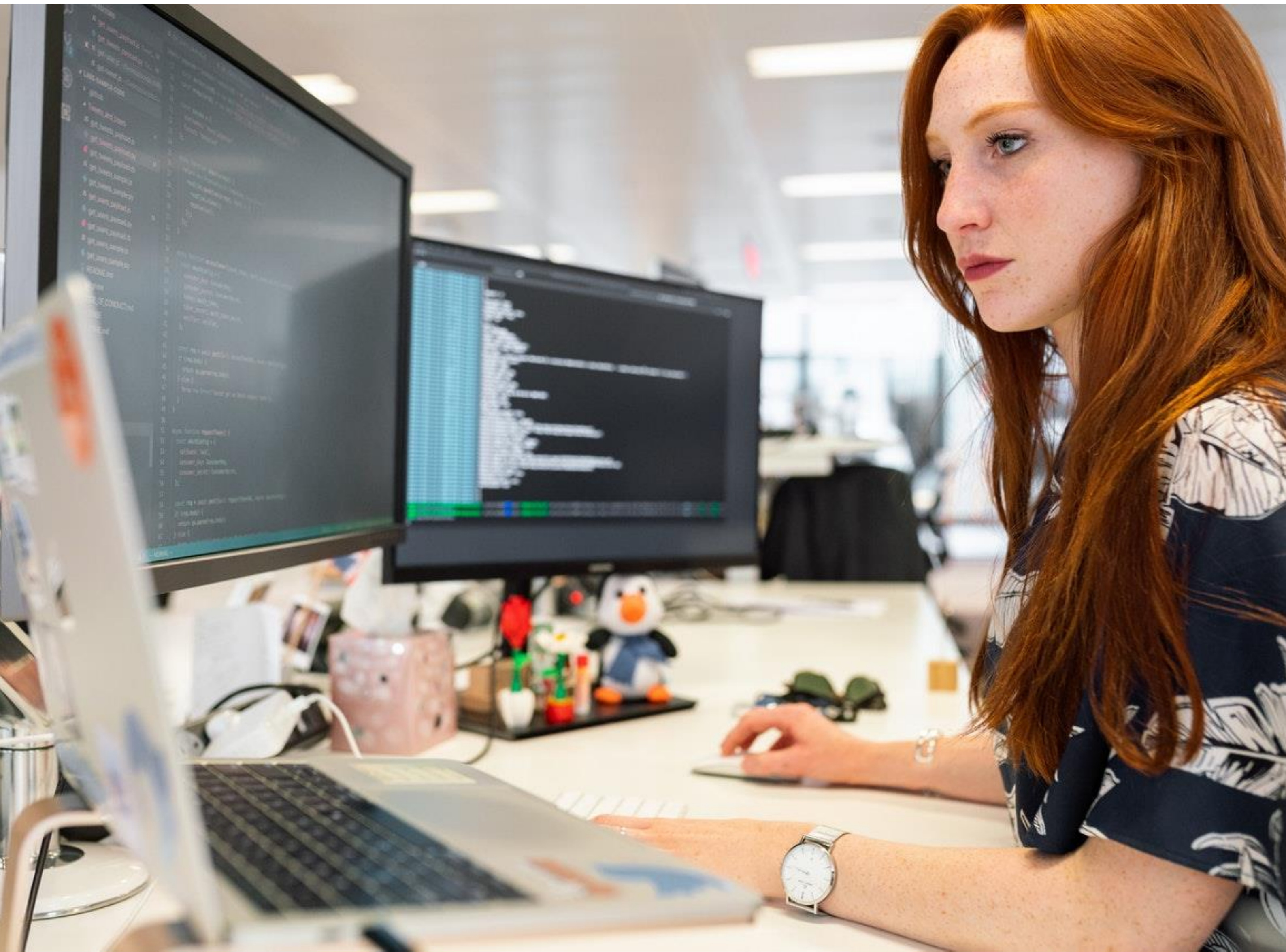
A better working environment: Meet the gender equality leaders

There are some employers that are leading the way in gender equality – these represent the employers of roughly 4% of respondents. These organisations have created more flexible and inclusive cultures where women feel they are better supported.

The benefits of being a gender equality leader are clear:

- 70% of all women who work for these leading organisations rate their productivity as "good" or "very good," compared to just 29% of lagging organisations (defined as businesses with a less inclusive, low-trust culture, which make up 31% of the sample.)
- 72% of women who work for gender equality leaders rate their job satisfaction as "good" or "extremely good," compared with just 21% of women who work for lagging organisations.
- 70% of women who work for leading organisations plan to stay with their employers for two years or more, compared to 8% of women working for lagging organisations.

There are several actions organisations can take now to address this critical issue, including prioritising work/life balance and flexible working options that extend beyond workplace policies and are entrenched in the company culture; empowering women to succeed in life outside of work to enable success at work; and offering fulfilling development opportunities that build skills and expertise.



REGIONAL OFFICE AND BRANCH NEWS

AUSTRALIA ZOOM WEBINARS

On April 15, 2021 Prof Brendan-O'Connell presented a webinar titled, *"How Accounting and Finance Professionals Can Help in Climate Action"*. He showed how, accounting and finance professionals, as providers and interpreters of both financial and non-financial information for organisations, can play a crucial role in assisting their organisations to address the challenges faced by climate change. Professor Brendan explored some of the ways that accounting and finance professional can help in this area together with some of the challenges faced in obtaining useful information for related decision-making. The talk can be heard as a **CFO Talk** on https://cmaaustralia.edu.au/ontarget/prof-brendan-oconnell-how-accounting-and-finance-professionals-can-help-in-climate-action/

On May 5, 2021, Lasanka Perera and Lee Eaton of the Australian Bitcoin Exchange *Independent Reserve* gave a webinar on "*Bitcoin and Crypto: Why They Are Viable Investment Options"*. They explained what the terms Bitcoin, Blockchain, Cryptocurrency mean. With the price of a Bitcoin is currently over A$60,000, they posed the question: *"Should one invest in Bitcoin?"*, and proceeded to explain why, in their opinion, one should. These two leading professionals who run the No.1 cryptocurrency exchange in Australia answered some of the participants 'more in-depth questions as to the viability of cryptocurrency as an investment option. Their talk can be heard as a **CFO Talk** on https://cmaaustralia.edu.au/ontarget/lasanka-perera-and-lee-eaton-of-independent-reserve-on-bitcoin-and-crypto-why-they-are-viable-investment-options/

On May 21, 2021, Dr Chris D'Souza and Kieran Keleher presented a webinar titled *"Project Management in a Post-Covid World"*. They emphasised that all managers and management accountants need to have project management skills. They often overlook the fact that every organisation always has ongoing projects of different sizes in progress at any given time. As such, they said that the success of any organisation depends on successful project management. They showed how, post Covid 19, these skills are going to be more important than ever before for survival of the fittest organisation. This webinar looked at how organisations in general and management accountants should gear up towards facing project management challenges post covid 19. Their talk can be heard as a **CFO Talk** on https://cmaaustralia.edu.au/ontarget/dr-chris-dsouza-and-kieran-keleher-project-management-in-a-post-covid-world/

HONG KONG BRANCH SPONSORS "PROFESSIONAL SERVICES ADVANCEMENT SUPPORT SCHEME ("PASS") SEMINAR

CMA Australia was a key sponsor of the *Professional Services Advancement Support Scheme ("PASS")* seminar series held in May 2021. PASS was set up to support Hong Kong's professional services sector to carry out worthwhile projects to spearhead pro-active outreaching promotion efforts and to improve service offerings. PASS provides funding support for non-profit-making projects aimed at: (a) increasing the exchanges and co-operation of Hong Kong's professional services with their counterparts in external markets; (b) promoting relevant publicity activities; and (c) enhancing the standards and external competitiveness of Hong Kong's professional services.

INDONESIA BRANCH WEBINARS

Throughout the Covid-19 pandemic, ICMA Australia Indonesia Branch continued its commitment to facilitate the capability development for CMA Members, professionals and academics in the fields of accounting and finance. In the April-June period 3 more webinars were held. ICMA facilitated the events, which were moderated by ICMA Australia's Indonesia President, Mr. Daniel Godwin Sihotang, Dr Ana Sophana, Mr. Nursakti Niko Rosandy, the Branch Treasurer.

SRI LANKA BRANCH NEWS

Throughout the Covid-19 pandemic, ICMA Australia Sri Lanka Branch continued its commitment to facilitate the capability development for CMA Members, professionals and academics in the fields of accounting and finance. In May, a webinar by Prof Janek Ratnatunga titled *"Money Laundering: Traditional vs. Digital: Key Lessons for Bankers and Finance Professionals"* was held. The talk can be heard as a **CFO Talk** on **https://cmaaustralia.edu.au/ontarget/money-laundering-traditional-vs-digital/**

A WARM WELCOME TO NEW MEMBERS (April & May 2021)

Abudu Yidana, Abubakari
Adams, Ganiyu Ayodeji
Agendia, Alemnkia
Ahmadi, Nurcholis Feri
Akbar, Amin
Akhimie, Peter
Anggraeni, Yesi Nadia
Apriyanti, Eka
Arackaparambil Rajkumar, Ranjith
Araujo, Flavio
Arhinful, Emmanuel
Ashitey, David
Aviansyah, Herdian Ari
Aynsley, Tim
Azad, Md. Abul Kalam
Aziegbe, Innocent
Aziz, Abby
Bahsuni, Dadang
Balasingam, Philipneri
Bhogendra, Aravind
Bhuyan, Abul Khayer
Biere, Randhy Octavianus Simon
Budiono, Karno
Buzi, Ivan
Cakrawinata, Andrian
chambamakasa, john
Chandra, Alimin
Chatsama, David
Chehab, Mehdi
Cherully , Jayaprakash
Choi, Ka Yan
Chondon, Mahtab Ahmed
Chow, Wing Cheong Kelsey
Chowdhury, Md. Masum
Chu, Alvar
Das, Sohadeb Kumer
De Silva , Manoj
Devitayanti, Rini
Dewanto, Heri
Dhanali, Yoshika
Dharmathilaka, Aravinda
Dwianika, Agustine
Elridy, Mohamed
Elzaablawy, Ahmed
Emmanuel,MBA, Pere George
Ernie, Ernie
Fadjrini, Dianita
Fajar, Yogie
Ferdinansari, Chindia
Feriansyah, Ichsan
Fernando, Ranesh
Gajanayake, Chandana
Gajaweera, Hiran
Gblee, Isaac
Giri, Dipak
Hajar, Dewi
Handari, Putri
Haro, Jeane
Hartono, Leni
Hasan, Hushaini
Hasan, SM Kamrul
Hossain, Md Altaf
Hossain, Mohammad Kamal
Hossain, Mohammed Zakir
Huda, Kamrul
Hussain, Syed Zakir
Idris, Olaniyi
Ikundi, Fritz
ISIDORE - CHRA™, CHRBP™, Kounywi
Jaber, Omar
Jayaneththi, Chandrika
Jayawardena, Ranjith H
Julienne, Dean
Junaidy
K., N. Angga
Kadayam Suresh, Kaushik
Kageruka, Innocent
Kamal, Devindra
Kamara, Peter
Kamarudin, Billie
Khallahle, John
Khuan, Hendri
Kodir, Asep Abdul
Kong, Chun Ho
Kothari, CA Maulik
Kurniawan, Hendra
Kurniawan, Mirna
Kv, Jabir
Lipemba, David
Loh, Chee Chooi
Macie, Lucas
Mahardipta, Clarivtika Ayu
Mahfouz, Mohamed
Mainga, Wayne
Makuyu, Philip
Manurung, Adler
Marbun, Noprianto
Marsya, Teuku
Michailidis, Michail
Mokgothu, Neo
Moussa, Firas
Mpondi, Turai
Msariri, Sibeti
Mughal, Efraaz
Muhammad, Rizky Nur
Muhumuza, Johnie
Mulianingsih, Mia
Mulyadi
Mulyana, Hendra Marta
Murcahyati, Wahyu
Murtopo, Dhani
Muspriyanto, Heri
Mutaqina, Sekar
Nabeel, Muhammad

Natalia, Kristiani
Navaratnam, Kadootkajan
Nazeem, Walaa
Noubissi, Guillaume
Nsomba, Wesley
Nurhuda, Emilia
Nurmindha, Riska
Ojong, Louis
Padmarani, Ahsania Murti
Palete, Siprianus
Pammi, Sarma
Pamungkas, Yoga Hardianto
Paryanto, Philipus
Perera, Chinthaka
Perera, Malin
Perera, Mayura
Permata, Wenny
Ponnuchamy, Prabhakar
Prabowo, Bayu
Prastyono, Bramantio
Pratama, Ganda
Priandriwijayanti, Junitia
Rachmat, Budi
Rahman, Parvez
Rahmawati, Iffah
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Ratheeswaran, Thunsiya
Rena, Melan
Rifana, Lara Soraya
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Rusdi, Teuku
Rusmanto, Toto
Salahuddin, Muhammad
Salem, Ahmed
Salem, Sumini
Sanchez, Geraldina
Sandy, Dennis
Sani, Fauzi Febry
Sapindalo, Jacqueline
Saputra, Adityo Bagus
Saputra, Fx. Chandra
Saputra, Levi
Sari, Jati
Setiabudi, Nicolas Bagus
Setiawan, Yogi
Setiyono, Iwan
Shaikh, Aleem
Shetty, Raghawendrau
Shrestha, Purna Raj
Siahaan, Bonar H.
Siatontola, Event
Siddique, Moddassar
Silas, Irene
Silva, Manjula
Silva, Sameera
Siregar, Butet Ika Fitrina
Siriwardane, Theja
Siriwardena, Nalaka
Sitanggang, Monica
Siziba, Danisa
Sk, Jayakrishnan
Suci, Devinta Amalia
Sulistyo, Adi
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Sy, Beverly Evonne
Tambunan, Franz
Tayde, Rhodalyn
Tembo, Peter
Thabit, Athumani
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Thierry Wilfrid, Bakadjaken
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Tjahjana, David
Toor, Sherjeel
Uamusse ACCA, Florinda
Uddin, Md. Naser
Ugwaa, Andoseh
Vanama, Sai Sampath
Ventura, Charina Rose
Villamor, Antonio Jr
W, Raden Dwi
Wafula, Michael
Walisinghe, Thusitha
Weerakkody, Kaushali
Welagedera, Sharmila
Wickramasinghe, Asela
Widiatri, Retno Ajeng
Wijaya, Bayu Aji
Wijayanti, Nugraheny
Wijayasingha, Prathapa
Wijeyatunga, Asintha
Yee, Chua Chia
Yudi, Idham
Yunitasari, Putri Irmawati
Yusof, Muhamad
Yusrizal
Zaenudin, Dindin

CMA EVENTS CALENDAR

- **May 5, 2021** Webinar by Lasanka Perera and Lee Eaton of Independent Reserve on "Bitcoin and Crypto: Why They Are Viable Investment Options"
- **May 21, 2021** Webinar by Dr Chris D'Souza and Kieran Keleher "Project Management in a Post-Covid World"
- **July 10, 2021** Certificate of Proficiency in Strategic Cost Management, SMU Academy, Singapore (6th Intake). (Online).
- **July 23, 2021** Certificate of Proficiency in Strategic Business Analysis, SMU Academy, Singapore (6th Intake). (Online).
- **August 5, 2021** Webinar in Strategic Cost Management, Workplace Skills Development Academy (WSDA). (Online).
- **September 4, 2021** CMA Intensive Program Over Zoom – September 2021
- **October 1, 2021** Webinar in Strategic Business Analysis (Part 1), Workplace Skills Development Academy (WSDA). (Online).
- **October 8, 2021** Webinar in Strategic Business Analysis (Part 2), Workplace Skills Development Academy (WSDA). (Online).

Private Providers

Wharton Institute of Technology and Science (WITS), Australia

Syme Business School, Australia

Academy of Finance, Sri Lanka

IPMI (Indonesian Institute for Management Development), Indonesia

Singapore Management University Academy (SMU Academy)

Business Sense, Inc. , Philippines

HBS for Certification and Training, Lebanon

SMART Education Group, UAE

Institute of Professional and Executive Management, Hong Kong

AFA Research and Education, Vietnam

Segal Training Institute, Iran

PT Angka Bisnis Indonesia (Business Number Consulting), Indonesia

Inspire Consulting, Indonesia

ManAcc Consulting, New Zealand

STRACC Learning LLP, India

Hassan Associates, Bangladesh

Ra-Kahng Associates Ltd, Thailand

Academy of Management Accountancy, Nepal

Blue Globe Inc, Japan

New Zealand Institute of Business, Fiji

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