



# \$ The Bottom Line \$

The St. Paul Chapter  
Institute of Management Accountants

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Please Keep in Touch!!

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**TABLE OF CONTENTS**

- Pg. 1 - [President's Message](#)
- Pg. 2 - [Oct Meeting Minutes](#)
- Pg. 3 - [Prior Meeting Recap](#)
- Pg. 4 - [Featured Article](#)
- Pg. 6 - [Continuing Ed](#)
- Pg. 8 - [Activity Schedule](#)
- Pg. 9 - [2004 New Members](#)

## St. Paul Chapter Presidents Message

As we near the end of an historic year in the financial profession, I thought it would be appropriate to reflect on the changes we have witnessed. The following is an excerpt from the October 2004 Internal Auditor magazine on Principles Versus Rules, Russell A. Jackson.

### THE VALUE OF REFORM

For now, many experts agree, establishing rules of engagement for corporations will have a beneficial effect — even though those corporations will always be led by human beings, who have a tendency to bend rules when they can. "There will always be corporate failures," Brown comments, "because human beings lead corporations and invest in corporations and play all the stakeholder roles. There will never be a perfect system that individuals without integrity cannot get around." But, he emphasizes, Sarbanes-Oxley and the current international wave of governance reforms are making a huge difference. "These measures will greatly mitigate shareholder losses and public mistrust. It's something we badly need."

Bailey agrees. Sarbanes-Oxley, he says, has as its core principle a better-informed investor — and it thus requires regulators to adopt governance rules for improved financial reporting. But it also leaves room for the application of a principles-based approach. "The best accounting is the same, whether the reader of the financial statement is in the United States, the United Kingdom, or China," he says. "Similarly, the auditing procedures that are most effective are likely to be most effective in the United States, Canada, Brazil, or Russia. And disclosures relevant to investors in Italy, Greece, or Spain are likely to be just as useful to investors in the United States."

Having one set of high-quality standards, he continues, would benefit investors and reduce the administrative costs of accessing the capital markets around the world. "For all those reasons," he says, "the SEC supports global convergence. We need to work to enhance cooperation and consistency in regulatory review and enforcement and to enhance training and interpretive mechanisms as well. The amount of coordination necessary to do that is daunting. But a lot is already happening."

### In Other Chapter News

The November IMA meeting hosted by the St. Paul chapter highlighted the topic of Integrating Lean, Six Sigma and SCOR (Supply Chain Operations Management). The speaker was Jane Malin, Sr. Management Consultant with Pragmatek Consulting Group. This presentation had importance for financial management executives because these methodologies are helpful in selecting and guiding initiatives and measuring success. You can find more information in the newsletter and on our website.

It was a busy month for meetings in November. In addition to the dinner meeting, we hosted a lunch meeting on the same day. Michael C.A. Dempsey with Paisley Consulting spoke regarding: Technology and Sarbanes-Oxley. His presentation focused on:

- An overview of various technologies available to assist organizations comply with Sarbanes-Oxley requirements
- The strengths and weaknesses of various technologies
- Emerging best practices related to acquisition and implementation of Sarbanes-Oxley related technologies

I would like to wrap up our final newsletter of 2004 with great news. Jim Koenig - Welcome to the Board! Jim will be supporting our members through maintaining and updating our name tags. This helps everyone feel welcome at meetings and puts names with faces! On behalf of the St. Paul Chapter Board of Directors, we wish you and your families the best during this holiday season! Happy Holidays!

Wendy Degler, President 2004 – 2006 St. Paul Chapter, IMA

## St. Paul Chapter Board Meeting Minutes November 18, 2004

Wendy Degler called meeting to order at 4:30 pm

### **Attendees**

Wendy Degler, Andy Benjamin, Seth Hilgert, John Stephani, John McGuire, Leo Philben, Jason Golde. Guest: Bill Herzog

### **Secretary's Report**

Secretary's report from the previous month's meeting was revised to reflect the motion not to renew the P.O. Box. Motion passed unanimously. Minutes accepted with revision.

### **Treasurer's Report**

Andy provided the treasurer's report. All bills paid. October meeting averaged out to \$30 per attendee. Report was accepted.

### **Membership**

Seth informed the board of his decision to resign.

### **Education**

Leo provided current working schedule. Lunch meeting earlier in day was very well attended. There were 21 in attendance, including 3 past presidents. Those attending the lunch meeting cannot attend evening functions and cited (1) topic, (2) location, and (3) meeting time as the top three (in rank order) reasons for their attendance.

### **Other Business**

Motion made by John McGuire and seconded by Jason to stop pursuing the collection of the \$125 deposit owed us by the owners of the former Toby's on the Lake. Motion passed.

With the several recent board resignations, we are in need of new board members to make sure some of the more critical items are handled. Two frequent meeting attendees were identified and will be approached to determine their interest.

Leo discussed possibility of getting together an outing in December to the Minnesota Swarm.

Bill Herzog gave an update on the recent national board meeting he attended. At the board meeting Paul Sharman presented a 5-point strategic plan for the national IMA. The strategic plan calls for more focus on member service and retention, and on increasing the recognition of the CMA.

Meeting adjourned at 5:30

Submitted by Leo Philben/John Stephani

The November IMA meeting hosted by the St. Paul chapter highlighted the topic of Integrating Lean, Six Sigma and SCOR (Supply Chain Operations Management). The speaker was Jane Malin, Sr. Management Consultant with Pragmatek Consulting Group. This presentation has importance for financial management executives because these methodologies are helpful in selecting and guiding initiatives and measuring success.

The speakers first helped to define the methodologies and their differences:

Six Sigma – Looks for process/product defects

Lean – Drives waste out of the organization and maximizes value  
Lean asks the question: “Would the customer pay me to do this?”

SCOR – Links strategy with day-to-day performance  
SCOR delivers a portfolio of projects driven by the defined strategy (Supply Chain Optimization)

In other words, Six Sigma is the approach (How will I get there?), Lean is the means to get there (“the gas”) and SCOR is the roadmap, strategy, benchmarks, gap analysis that links the market strategy to financial performance on a day-to-day basis.

The speaker discussed approaching this type of project in three phases. Phase I was covered in detail during the meeting.

Phase I: Define Supply Chain  
Customer segments, product lines, geographic regions

The key is to be market segment driven and define a market strategy for the supply chain. This requires an analysis of Strengths, Weaknesses, Opportunities and Threats (SWOT). This phase also requires that both internal and external metrics are defined. External metrics look at delivery, reliability and quality as examples. Internal metrics look at costs and asset management as examples.

Phase II: Map Physical Material Flow

Phase III: Develop Work & Information (Transactional) Flow  
By converging these methodologies you should be able to:

- Optimize process, policy, organization, and systems
- Achieve speed in the value chain by eliminating waste
- Achieve continuous improvement through the reduction of variation

More information can be found on the Department of Labor website or by contacting the speakers at:  
[sking@silveroakwealth.com](mailto:sking@silveroakwealth.com) or [angela.bohmann@leonard.com](mailto:angela.bohmann@leonard.com).

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## SPONSOR RECOGNITION

The Board of Directors of the St. Paul Chapter of the IMA would like to pay a special thank you to the sponsors listed below for their support of the chapter. Our sponsors are very important to the ongoing viability of the chapter.

**Robert Half - Accountemps**

**Hudson Financial Solutions**

**Ambrion**

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# It's a Heckuva Time to Be Dropping Business Ethics Courses

*MBA programs are downsizing ethics requirements at precisely the wrong time.*

## Fall 2003 Issue of Business Ethics

By Marjorie Kelly

In the wake of recent ethics scandals, one might imagine that business schools would be deepening their attention to business ethics. But at many schools the reverse is happening. A slow, drip-by-drip erosion of business ethics teaching has been going on in MBA programs throughout the 1990s--and it seems to be getting worse today.

A case in point is the **Katz Graduate School of Business** at the **University of Pittsburgh**, which has dropped a required ethics course from its full-time MBA program beginning next year. William Frederick, professor emeritus at the Katz School and past president of the **Society for Business Ethics**, said via e-mail that the ethics course "has been under pressure for either elimination or downsizing almost from its inception in the early 1960s." He pointed out it was reduced from five to three credits in the 1980s, then cut again to one-and-a-half credits in the 1990s. When Donna Wood, one of the school's three ethics professors, resigned from Katz this year, "it opened the way for a push by faculty and the dean to wipe [the required course] out entirely, which has now been accomplished," Frederick said.

The University of Pittsburgh is not alone in its downgrading of ethics. At **Virginia Polytechnic Institute and State University** in Blacksburg, Va., a required business ethics course was dropped from the MBA curriculum within the last two years. **The State University of New York** at Albany dropped the business ethics requirement from its MBA a number of years ago, and now doesn't even offer it as an elective, said associate professor Paul Miesing. At **Marquette University** in Milwaukee, Wisc., a social issues in management course required of MBA students was downgraded from three to one-and-a-half credits, and students can opt to skip it entirely and take a law course instead.

**Villanova University** in Villanova, Pa., years ago had a three-credit required MBA course in business ethics, but now requires one-and-a-half credits -- through a class combined with marketing management, reports senior associate dean Mohammad Najdawi. Similarly, at the **Terry College of Business** at the **University of Georgia** in Athens, Ga., business ethics merits a one-and-a-half credit course -- combined with negotiations. "What's the message?" professor Archie Carroll said via e-mail. "That all ethics are negotiable?" In addition, Carroll said, the ethics class is taught by a marketing professor.

At the **University of Wisconsin-Madison**, the business school has lost a series of business ethics faculty since 1997 and no longer has an occupant for its endowed chair in that area. Today its business ethics class is taught by a professor trained in transportation economics.

The effects of the lack of ethics training showed up at **Morgan State University** in Baltimore, Md. this year, reported Tim Edlund, when the **Maryland Certified Public Accountants** examining board challenged May's accounting graduates as unqualified to sit for the exam, since none of their required courses emphasized ethics. While the board relented in that case, for this coming May, Edlund said, "they will require our business and society course for CPA candidates, or some other suitable course."

Author Amitai Etzioni wrote recently that business schools deserve an F for treatment of business ethics, Carroll noted. "I might give them a C, but not much better," he added. "I think the faculty who are teaching business ethics are doing a fine job, for the most part, but the business schools, overall, are not handling the topic effectively."

Of course not all is bleak. The Katz School itself still requires business ethics coursework for undergraduates, as well as for both part-time and executive MBAs, simply not for full-time MBAs, reported associate professor Brad Agle. "Ethics is not dead at the Katz School," he emphasized. The school has the new **David Berg Center for Ethics and Leadership**, with a substantial endowment. And the school is creating a certificate program (like a minor) in ethics and leadership for undergraduate business students. The school also has one of the largest doctoral programs in business ethics and business and society.

As for Donna Wood -- who left Katz -- she now holds the **David W. Wilson Chair in Business Ethics** at the **University of Northern Iowa**, where she reported finding broad-based support for ethics. One of her first acts was to create a November conference entitled "*Enron and Beyond: a Crisis of Capitalism*." "My deans have said they consider it a professional obligation to speak up about the current crisis," she commented.

Ethics is likewise getting stronger at **Duquesne University's John F. Donahue Graduate School of Business** in Pittsburgh, which this year added a required applied ethics course for MBAs. And starting this fall, the business school has teamed up with the **School of Leadership and Professional Advancement** to offer a two-year **Masters of Science of Leadership in Business Ethics**, reported James Weber, director of the **Beard Center for Leadership in Ethics** at Duquesne. More news of progress comes from **Johns Hopkins University** in Baltimore, which just hired ethics professor Lindsay Thompson to "evaluate and revamp the business ethics curriculum," she reported.

In addition, William Frederick noted that there is a bright spot for ethics at the nation's Catholic--particularly Jesuit--business schools, most of which require ethics or business and society courses. Schools he pointed to as examples included **Santa Clara University, Boston College, Loyola of Chicago, DePaul University, Fairfield University, Notre Dame, and Georgetown.**

It would be simplistic to say business ethics is missing from business schools. But its emphasis is uneven, and at too many schools it is diminishing. A primary reason, wrote Carroll, is that "faculty don't want to allow 'shelf space' in the curriculum for business ethics, because they want their own courses there." There is room for only so many required courses. "To add ethics, what will be deleted?" he said. "Second, the faculty simply don't understand or appreciate the subject matter."

Wood added that at most schools, business and society or business ethics classes exist only because of the accreditation standards of the 1970s and 1980s issued by the **Association to Advance Collegiate Schools of Business (AACSB)**, based in St. Louis. In the 1970s, those standards "effectively required some form of course in business and society or social issues in management," said Duane Windsor of **Rice University** in Houston, Tex. But in the 1990s the AACSB adopted a more flexible approach.

One person who helped rewrite those standards for the 1990s was Thomas Bausch, professor and former dean at Marquette University, who is a former president of AACSB. He said the aim then was to view business in the context of society, while building in flexibility for schools on how to integrate social issues into coursework. "But the net result over time -- driven by the financial theory of the firm and careerism at its worst -- has been a downward spiral in the quality of education," he wrote via e-mail, "with more quantitative stuff, and far less emphasis on business being an institution of society whose final end is to serve the common good."

Without a clear AACSB mandate requiring a course in business ethics, schools began finding their ethics requirement squeezed. "There are certain schools, such as Rice University in Houston, Tex., where this deterioration has not yet occurred," wrote Windsor in an open letter to the AACSB. "But I believe the phenomenon to be sufficiently widespread to be alarming." The problem, he continued, is that ethics faculty lack the strength of numbers to outvote other areas, like economics or accounting, so they generally cannot influence curricular decisions. When push comes to shove, ethics can be shoved out of the curriculum.

Today AACSB standards are being re-written again, with a third draft now circulating for comment, to be voted on in April 2003. "AACSB ought to make business and society coursework mandatory," Windsor wrote. But the current draft fails to do so. Milton Blood of the AACSB said via e-mail that the draft does require that "the topic of ethics be included in curricula," but that "we do not tell schools how to structure instruction into courses." Some schools prefer to include ethics in other courses, rather than as a stand-alone course, he explained.

While plausible in theory, this approach in practice has generally proven ineffective. Villanova, for example, tried injecting ethics into every course. "It did not work," said professor Najdawi. "The ethics professor came as a guest lecturer and wasn't taken seriously. Also, how do you test on it?" In the 1990s Villanova switched to its current half class of ethics instead.

Frederick said other business schools--like Duquesne--tried ethics-across- the-curriculum but similarly found it didn't work, because "most faculty are not knowledgeable about ethics." Added Diane Swanson, associate professor of management at **Kansas State University** in Manhattan, Kan.: "It would be like requiring all faculty to teach some neoclassical economic theory."

Windsor noted that the AACSB said its current draft moved ethics up the implicit hierarchy of content areas. But "a course mandate rather than verbiage is wanted now," he said. "Ethics is more important than flexibility." Wood concurred. "The message of today's standards, and those proposed, is that ethics deserves verbal acknowledgment but no resource base -- i.e. it is not essential," she wrote to the AACSB.

Frederick and Swanson have issued a call to arms, organizing faculty to protest that the new standards don't go far enough in their treatment of ethics, and seeking a formal face-to-face dialogue with the AACSB. Swanson reported mid-October that faculty letters were "streaming into the AACSB offices." She has also asked her Kansas congressional representatives in Washington to work with other government officials to create a national **Task Force on Business Ethics Education.**

What the two are seeking is nothing less than a "comprehensive inquiry into the role that business schools and their accrediting agency, AACSB, play in inculcating in their students a normatively amoral attitude that permits, tolerates, and at times encourages unethical, fraudulent, corrupt and illegal behavior by business practitioners," they wrote.

Swanson believes the stakes are extremely high, and the risks of neglect of ethics are evident in the behavior seen today in executive suites. As she wrote to colleagues on the list-serve of the International Association for Business and Society, there is now a unique "window of opportunity" to impact accreditation standards--otherwise coursework in ethics and social issues in management "will remain weak or non-existent in schools of business for the next decade."

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# Designing and Deploying a Balanced Scorecard and Strategy Maps

**A Two-day Hands-on Workshop  
January 20-21, 2005, Minneapolis, MN**

You've heard the theories about the Balanced Scorecard (BSC) and Strategy Maps, and they make good sense. Performance measurement *should* go far deeper than just financial measures, looking at performance driver, not just outcomes. You recognize the need in your organization, and you're convinced by the case studies. It sounds tremendously valuable to link measures to strategy to create alignment and focus.

## ***But how do you do it?***

This two-day workshop goes beyond the theory and case studies to give you hands-on experience with the process of designing and deploying strategy maps and balanced scorecards. As you participate, you will deepen your understanding of the key concepts and best practices of this powerful methodology of strategic performance management.

Most of your time will be spent in a small group of 4 to 6 people, guided by a dedicated instructor, so you will be actively engaged in a rich learning environment. We compress what is typically about a 12-week effort into six interactive modules that let you experience each step of the process that you may eventually take with your own organization. By taking this accelerated journey in a hypothetical company, you can focus on the principles and the process without getting bogged down in the specific details of your own organization. Later when you take this journey for real with your own organization, you'll be more confident and effective because you'll have completed a high-level "fly-over" of the process, so you'll know what to expect.

## **Features of this workshop**

1. Pre-workshop packet includes assorted background material and a multi-media CD-ROM to make sure participants have a baseline of understanding of the Balanced Scorecard and Strategy Maps.
2. Work through a realistic business scenario that almost everyone can relate to and actively participate in. The same example is used throughout the workshop.
3. Half of the small groups will work on one strategy and half will work on a different strategy—highlighting how different the objectives, measures and initiatives will be if they are tied to the strategy.
4. Each module will include a brief training on the process, principles and tools for that step in the process, and then participants will break down into small groups for a hands-on exercise. Everyone gathers together at the end of each hands-on exercise to share lessons learned and to discuss the "pre-baked" textbook solution that will be used as the basis for the next module.

## **Event Co-Sponsors (Members get a discount to the Workshop)**

Minnesota Council for Quality ( [www.councilforquality.org](http://www.councilforquality.org) )

Performance Improvement Network ( <http://www.councilforquality.org/performance.cfm> )

## Workshop Agenda

Pre-class: 12 pages of background reading.

Thursday, January 20, 2004

8:30-9:00 AM Continental Breakfast and Introductions

9:00-10:15 Review of Key BSC Concepts and Introduction to the Business Scenario

10:30-12:00 The Scorecard Planning Process and Strategy Refinement

12:00-1:00 Lunch and Discussions

1:00-4:00 Developing Objectives and a Strategy Map

4:15-5:00 Using Technology in the Early Stages of BSC Development

Friday, January 21, 2004

7:30-8:00 AM Continental Breakfast and Review of the two contrasting Strategy Maps

8:00-9:30 Developing Measures and Targets

9:45-11:00 Developing and Prioritizing Strategic Initiatives

11:00-12:00 Cascading a Scorecard and 3-D Causal Linkages

12:00-12:45 Lunch and Discussions

12:45-1:45 Using Themes (and the role of Theme Teams)

1:45-2:30 Data Automation and Integration

2:30-3:00 Summary of the process and key lessons learned.

**Lead Instructor** (There will also be several other small group coaches)

**Bill Barberg** is the President and Founder of Insightformation, Inc. Founded in 1991, Insightformation has been a pioneer in helping organizations leverage information and technology to gain insights and improve performance. In 2001, Insightformation was hired by Microsoft to create the Microsoft Balanced Scorecard Framework (BSCF). In 2002, they developed InsightVision, an award-winning software application based on the Microsoft BSCF. Bill co-authored the white paper, "Bringing the Balanced Scorecard to Life" and has spoken and written extensively on the best practices of the BSC methodology.

## Registration and Logistics

**Registration:** The Workshop fee is \$1195.00 for the first person from an organization and \$995.00 for each subsequent person from the same organization. Members of co-sponsoring organization get an additional \$100 discount per person.

You can register on-line at [January Hands-on Lab](#). The workshop is limited to 40 people.

**Location:** The Reserve Conference Center in Plymouth, MN (10 minutes West of downtown Minneapolis) near the intersection of Highway 494 and Highway 55.

**Hotel:** For people coming from out-of-town, we have a block of hotel rooms reserved at the Quality Inn, right across the street from The Reserve. Mention Insightformation and you will get the discounted rate of \$78 per night. Phone: 763-559-1222

For more information, contact Mike Gromacki at 763-521-4599 x19 or E-mail [mike.gromacki@insightformation.com](mailto:mike.gromacki@insightformation.com)



## IMA St. Paul Chapter

### Winter 2004 - 2005 Meeting Seminar and Activity Schedule

<b>Date/Time</b>	<b>IMA Host</b>	<b>Speaker/Topic</b>	<b>Location</b>	<b>CPE Credit</b>	<b>Coordinator</b>
February 17, 2005 Noon – 1:00 PM	St. Paul	<b>Sarbanes and the IT puzzle</b> Monitoring and Managing SOX efforts today and tomorrow	Embassy Suites - Downtown St. Paul	1 CPE Credit	John/Leo
February 17, 2005 5:30 – 8:00 PM	St. Paul	<b>Leadership: Being a strategic business partner</b>	Embassy Suites - Downtown St. Paul	1 CPE Credit	John/Leo
February 22-23, 2005 8:00 AM – Noon	St. Paul	<b>Sarbanes-Oxley and IT Innovations</b> Various speakers and topics	Embassy Suites - Downtown St. Paul	4 CPE Credit	John/Leo



## IMA St. Paul Chapter

### 2004 New Members

The following are new members to IMA and the St. Paul chapter in 2004. We welcome them to the organization and look forward to their active participation in realizing the many benefits of membership.

<b><u>DATE</u></b>	<b><u>NAME</u></b>	<b><u>EMPLOYER</u></b>
January	Jaclyn Deuel	Student
January	James Sturgis	University of Minnesota
February	Eva Wells CPA	Andersen Corp
March	Deborah Graul	Student
March	Rachelle Haslow	Unknown
March	Ming Yeh CPA	Unknown
April	Doug Imholte	Holmes Corp
April	John Kunz	Student
May	Adam Booth	Student
May	David Waddell	Smiths Medical MD Inc
June	Andrew Acito	3M
June	Krystle Schroeder	3M
July	Jean Hanson	Unknown
July	Valerie Johnson	Unknown
July	Shigeto Kabashima	Unknown
July	Joshua Miller	Unknown
July	Jae Yang	Unknown
August	Aneet Kumar	Unknown
August	Timothy Johnson	Unknown
September	Jonathan Whelan	Unknown
October	Kathleen Friedrichs	Unknown
October	Mark Lane	Unknown