



810:Mini MBA II

William A. Barnett
Vice President and General Counsel
State Industrial Products Corporation

Georganne C. Proctor
Executive Vice President
Golden West Financial Corporation

Faculty Biographies

William A. Barnett

William A. Barnett is vice president, general counsel, corporate risk manager, head of human resources and secretary/treasurer for State Industrial Products Corporation based in Cleveland. He is responsible for providing legal advice to the corporation and all of its business subsidiaries as well as representing the corporation in all legal matters. Mr. Barnett actively practices in a broad based general corporate law environment that includes litigation. He has focused on employment law, product liability issues, including pro-active programs and litigation. State Industrial Products manufactures and sells a full line of industrial maintenance products throughout the United States, Canada, Puerto Rico and Europe, as well as parts of Asia and the Middle East. The company employs approximately 1200 people and has several manufacturing and distribution centers throughout North America.

Prior to joining State Industrial Products, Mr. Barnett was an associate with the Cleveland law firm of McCarthy, Crystal & Liffman, Co. L.P.A.

Mr. Barnett is a past president of ACCA's Northeastern Ohio Chapter and is a member of the Northern Ohio Regional Commercial Advisory Committee of the American Arbitration Association.

Mr. Barnett received his BS from Northwestern University and JD from Case Western Reserve University.

Georganne C. Proctor

Georganne C. Proctor is an executive vice president for Golden West Financial Corporation in Oakland, California. Ms. Proctor is responsible for management of the financial departments including accounting, financial planning, operations analysis, securitization, taxes, treasury, and liability management.

Prior to joining Golden West Financial Corporation, Ms. Proctor was the chief financial officer at Bechtel Group in San Francisco. She was the first woman to become a senior executive at Bechtel and to be named to their board of directors. As CFO, she managed a 120-person corporate staff with overall responsibility for accounting, controllership, reporting, tax, treasury, budgeting, risk management, and strategic planning. In addition to her Bechtel experience, Ms. Proctor held top finance positions for two key divisions of the Walt Disney Corporation, including the business responsible for their home video marketing and distribution as well as the division that developed and built Disney theme parks worldwide.

Ms. Proctor currently serves on the regional board of Teach For America, and was a board member of Elder Givers.

Ms. Proctor received a BS from the University of South Dakota and an MBA from California State University at Hayward.

ACCA Conference Mini-MBA Presentation

- I. Introduction and objectives for program
 1. Overview of disciplines traditionally included as part of an MBA, with focus on Strategy, Finance, Accounting and Ethics
 2. Thinking of the Legal functions as part of the financial and business management processes

- II. The primary intent of most MBA programs is to integrate the issues so that managers do not think in “silo’s” and can proactively, or reactively if necessary, make better decisions

- III. Nine traditional disciplines of an MBA
 1. Strategy
 2. Ethics
 3. Accounting
 4. Organizational behavior
 5. Quantitative analysis
 6. Finance
 7. Operations
 8. Economics
 9. Marketing
 10. A tenth important discipline – Legal

- IV. Strategy – company’s long-term plan to achieve its goals MBA
 1. Different models – one common approach looks at three strategic directions for a company – operational excellence (Walmart), product innovation (Genentec) or customer intimacy (McKinsey)
 2. Key is focus and consistency of strategy across disciplines and departments

3. Important measure is resource (people, budgets, capital) allocation
4. Strategic management -- look inside and outside the company to evaluate strengths, weaknesses, opportunities and threats ("SWOT" analysis)
5. Legal department role and opportunities for input in strategic management

V. Finance and Accounting

1. Ethics, fiduciary role, financial controls; impact of Sarbanes Oxley
 - a. Protecting the company's assets
 - b. Reputation is the most valuable long-term asset of the company
2. Functions typically include:
 - a. GAAP accounting
 - b. Management accounting
 - c. Financial planning and analysis
 - d. Budgeting (operational and capital)
 - e. Tax planning and compliance
 - f. Treasury
 - g. M&A as well as other specialized financial functions (e.g., project finance, securitizations) plus often responsibility for the supporting financial systems
3. Accounting – looking back with precision
 - a. GAAP – becoming more complex in areas
 - b. Focus on complete and clear footnotes
 - c. SEC issues – Finance and Legal teamwork
 - d. Management accounting

4. Planning and budgeting – looking forward with estimates
 - a. Economic, industry and competitive outlook (usually about 5 years forward)
 - b. Quantifying opportunities and risks
 - c. Budgeting resources
 - d. Forecasting business performance; evaluating scenarios
 - e. Constant adjustment process
 - f. Budgeting and forecasting in the Legal department

5. Tax – major coordination of Finance and Legal functions
 - a. Planning
 - b. Compliance
 - c. Corporate structures – managing the “tax vs. legal” objectives

VI. A financial person's view of an effective corporate legal function

VII. Open for questions and discussion

ACCA Conference Mini-MBA Presentation Overview

- Brief overview of traditional MBA disciplines, with focus on:
 - Strategy
 - Accounting
 - Finance
 - Ethics
- What it takes to manage a business -- integration of disciplines
 - How does the legal department fit in?
- Making business decisions in an uncertain world

Mini-MBA Presentation Overview (cont'd)

- Companies differ with respect to the relative priority of business disciplines that drive decision-making
- Relative priorities impacted by:
 - Industry
 - Company's strategy
 - Company's culture

Business Disciplines

- Strategy
- Ethics
- Accounting
- Organizational behavior
- Quantitative analysis
- Finance
- Operations
- Economics
- Marketing
- ... and add Legal

Business Disciplines

- **Organizational behavior** – the human challenges
Culture, leadership, motivation, organization structure,
change management, employee satisfaction
- **Quantitative analysis** – tools for objective
analysis of complex problems
 - Examples: NPV, Black-Scholes model, regression
 - No substitute for judgment

Business Disciplines

- **Operations** – making products and providing services
 - Capacity, scheduling, inventory, efficiency and quality standards, and control
- **Economics** – supply and demand; allocating limited resources
 - Competitive environment, trade and globalization

Business Disciplines

- **Marketing** – analysis and action plans to address:
 - Customers
 - Markets
 - Competitors
 - Distribution channels
 - Marketing mix (products, price, sales promotions)
 - Financials/economics

Business Disciplines Strategy

- Integrated set of actions that create a sustainable competitive advantage
 - Basis for allocating a company's resources (people, budgets, capital) and setting priorities
- Business disciplines that "have a seat at the table" are often those that are more integral to the company's strategy
 - For Legal function -- companies driven by IP, copyrights, or contracts may have legal function more integrated into business

Business Disciplines Strategy (cont'd)

- Strategic management – "SWOT" analysis
 - Strengths, weaknesses, opportunities, threats
- Consideration of legal issues can be important
- Evaluation requires prioritization of issues – the "so what?" test
- Challenges for legal participation

Business Disciplines Ethics

- Ethical implications of business decisions
 - Some issues are more “black and white”
 - Laws and regulations
 - Other issues are more “gray”
 - Level of social responsibility to assume in sustainable development decisions
- Ethics greatly shaped and driven by a company's culture
- Most valuable long-term asset of a company is its reputation

Business Disciplines Accounting

- Fiduciary role
- Financial (GAAP) reporting and control of the company's assets
- Each industry has important GAAP issues
 - Estimates and judgments are part of GAAP financials – some industries much more than others
 - Understanding process for estimates and judgments is necessary for those who certify financials

Business Disciplines Accounting (cont'd)

- GAAP trends:
 - Becoming more complex (e.g., derivatives)
 - Fair value accounting trend
 - Impact of Sarbanes-Oxley
 - Greater need for complete and clear financial disclosures and footnotes– “glass box” rather than “black box” financial statements
 - Demands on Audit Committee and Boards of Directors

Business Disciplines Management Accounting

- Financials that management uses to manage business
 - e.g., product line or geographic profitability
 - Gross margin, operating margins, allocated overheads
- Often drives the compensation system
- Underlies how management describes company to analysts
 - However, typically not the same scrutiny as for GAAP financials

Business Disciplines Tax

- Senior Management, Finance, Tax and Legal functions need to have clear communications
 - Appropriate tax planning – consistent with laws and regulations and driven by the business
 - Inappropriate tax shelters – often crafted to take advantage of loop-holes and only driver is to avoid taxes

Business Disciplines Budgeting

- Allocation of resources – people, overhead budgets and capital budgets
- Major financial control tool for company
- Understanding the budget process
 - Process of balancing spending
 - Overhead budgets typically allocated to business units
 - Short term vs. long term
 - Risk vs. reward
 - Challenges for the Legal department

Business Disciplines Financial Planning

- Forecast of business profitability
 - Regularly updated to reflect changes
 - Both short-term and long-term
 - Potential exposures taken into account
 - Challenge for many groups, including Legal department, when asked to quantify
 - All exposures are not equal – the “so what?” test
 - Upside and downside scenarios -- plans to manage the business under these scenarios

Finance View of Effective Legal Dept.

- One Finance person's view...
 - Corporate matters
 - Management issues
 - Deal transactions
- Common themes

Mini-MBA Presentation Summary

- Business requires managing through uncertainty
- Financial and management tools help
- Judgment is the critical component
- Best judgment when all views included
 - All disciplines need to be integrated into decision making
 - Effective communication a key

Mini-MBA Presentation Questions and Answers