



1. Palazzo Mezzanotte hosted the 45<sup>th</sup> IAFEI World Congress; 2. Fausto Cosi, Vice Chairman IAFEI and Chairman ANDAF; 3. Gabriele Fontanesi, IAFEI Organizing Committee Chairman; 4. Filippo Barberis, Councillor Municipality of Milan; 5. Luis Ortiz-Hidalgo, Chairman IAFEI; 6. the Congress is about to start

45<sup>TH</sup> IAFEI WORLD CONGRESS

# INNOVATION: THE QUEST FOR COMPETITIVENESS

MILANO 14-16 OCTOBER 2015

**IMPROVING COMPANIES' COMPETITIVENESS THROUGH THEIR CAPACITY TO INNOVATE. THIS WAS THE CENTRAL THEME OF THE 45<sup>TH</sup> IAFEI WORLD CONGRESS ORGANISED BY ANDAF IN MILAN FROM 14 TO 16 OCTOBER 2015. THE WORKS OF THE CONGRESS CAN BE CONSULTED IN FULL ON THE ANDAF WEBSITE (AS A VIDEO), BUT, AS IS TRADITIONAL, WE PROVIDE A SHORT SUMMARY IN THESE PAGES**

di PAOLO BERTOLI  
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## “He who fails to innovate is lost”

In a constantly developing economic and social context, which is governed by new rules and new players, “he who stops is lost”. When the level of competitiveness is high, what makes the difference is the ability of entrepreneurs to innovate. However, innovation must be a concept which goes beyond the production of goods and services, it must embrace a broader viewpoint: it is necessary to innovate processes, business models, the very way of being a CFO. This is the sense of the introductory speech by ANDAF Chairman, Fausto Cosi, who said that, from this viewpoint, he was confident about the future of the Italian economy. «There are signs,» said Cosi «that mean we can be optimistic: the ra-

tionalisation programs implemented by companies over recent years are producing positive results, just as the Government's reforms, for example the Jobs Act, are helping companies reduce production costs and encourage the recruitment of young people. In short, in Italy the most serious stage of the crisis seems to be behind us, and there has been a kind of natural selection. However, now is the time to look forward and return to investing, above all, in innovation». Cosi was echoed by the IAFEI Chairman Luis Ortiz-Hidalgo, «Also for IAFEI innovation is paramount» he recalled, “with a view to introduce new services for its members, such as the five commissions which have been created over recent years: the International Financial Reporting Standards (IFRS) Committee, the International Treasury Committee, the International Tax Committee, the International Observatory of Management Controller Committee and the Anti-Corruption Committee».

A call to innovation as an essential lever for competition was also made by Gabriele Fontanesi, IAFEI Chairman and head of the Congress organising committee, who, in his welcoming address, underlined how «every economy must try to always be competitive. Innovation and competitiveness must be all-round imperatives».

#### Globalisation: the global economy and its trends

«It's impossible to conceive of a modern economy without innovation». So started, almost seamlessly with the introductory speeches, former Prime Minister Romano Prodi who, in the opening substantive speech to the Congress, focussed on the changing world and the risks for markets. According to Prodi, the challenge for the global economy will be China: «The economy is rotating around China, which has increasing influence on the international markets». Prodi then recalled that Beijing has chosen the London Stock Exchange to list its own currency, the Renminbi, a sign of the internationalisation of Chinese finance. The slowdown in the Chinese economy is a worrying sign given that the global economy is growing, but very slowly, at 2.9% in 2015 according to the forecasts presented by Prodi, lower than the IMF's prediction of 3.1%, while Europe will not do better than 1.4% as it is affected by the Germany risk following the Volkswagen scandal. Given these uncertainties and the low level of inflation, Prodi said not to expect «the end of Quantitative Easing before the end of 2017», nor in September 2016 as announced by the ECB.

#### Regulation and growth

The need for a new approach to banking and financing regulation was addressed by Fabrizio Saccomanni, Director General Emeritus of the Bank of Italy and former Minister of the Economy and Finance. «Since the start of the global crisis,» he said «banking and financing regulation has generally intensified and global growth has been disappointing. There are 'fault lines' in the international monetary system causing global monetary and financial instability to the detriment of growth. The global crisis has left us with slow growth and low inflation, with risks of 'a century-long stagnation' and deflation: for this reason expansive monetary policies have been adopted. The G7 and emerging countries have adopted different approaches, which have led to inefficient management by the International Monetary Fund. Therefore, a new approach is necessary, based on consultation and monitoring procedures, which would form the basis of a multilateral guide to cover both interest and exchange rates, with the aim of minimising the risk of destabilising impacts and financial cycles. This should allow a reduction in the level of regulation, with the aim of promoting its simplification and rationalisation.»

#### Innovate in a global sector: the case of aviation

«Aviation is global, not local,» James Hogan, the Chairman and CEO of Etihad and Vice President of Alitalia made immediately clear in starting his talk. «Etihad Airways has only existed for 12 years. Our main competitors have been flying for decades, even for generations. They ha-



7. Roundtable Cloud - The no Land Economy; 8. Romano Prodi, Economist, former European Commission President and Prime Minister of Italy; 9. Fabrizio Saccomanni, Former Minister of Economy and Finance of Italy; 10. Lunch Time; 11. James Hogan, President and CEO Etihad Airways and Vice Chairman of Alitalia; 12. Michael Wale, President EAME Division Starwood Hotels & Resorts Worldwide Inc.; 13. Marina Natale, Deputy General Manager UniCredit Group; 14. Alessandro Ovi, Publisher and Editor MIT Technology Review

ve mature networks, large fleets, a global presence and market access. Some traditional competitors are aggressively trying to block our growth». Yet, Hogan went on, «the combined force of Etihad Airways, with its seven equity partners and its partners in codeshare, has created a network of around 600 destinations». According to Hogan «in order to compete effectively, we need economies of scale and differentiation».

#### Innovation in the global sector of hospitality

Michael Wale, Chairman of the EAME Division of Starwood Hotels&Resorts Worldwide, stressed how essential it is, for the hospitality sector (which can generate in just one year turnover of 6.5 billion dollars, 10% of global GDP), that innovation is combined with maximising customer satisfaction. «The types of travellers are continually changing,» Wale said, «to the extent that in order to satisfy them all we



have created 10 different types of hotels, 10 different lifestyles». It is essential to follow, for example, the innovations in the TLC sector, given that with the advent of mobile telephony there has been very rapid development which has produced apps, websites for bookings, but above all how important blogs and forums have become for the exchange of qualitative information and opinions.

#### What about banks?

Marina Natale, Deputy Director General of UniCredit, addressed the issues of banks, their degree of competition and innovation, and the forces that are remodelling their identity after the years of the crisis. «The crisis that as from 2008 has hit the global economy has caused several 'victims'» she explained «but there is no doubt that it is the banks which have suffered the most. The question now is: what are the areas on which it is necessary to work in order to remodel the banking system?» She indicated four of them: regulation (which must find the right balance between rigidity and necessity), customer behaviour (who are now more risk adverse, more price sensitive and have less trust in banks), technology (key factor in innovation and therefore competitiveness, as well as an instrument that can provide customer satisfaction) and competition.

#### Cloud: opportunities and threats of immateriality

The first roundtable of the Congress was that which addressed one of the most revolutionary technological innovations of recent years: the cloud. What possibilities does cloud computing provide? What are the concerns? These were the questions put by the moderator of the meeting, Piergiorgio Valente, Managing Partner of GEB Partners, to the participants. Alberto Pera (Partner, Gianni Origoni, Grippo e Partners, Former Executive Secretary Italian Antitrust Authority) stressed the legislative issues affecting this sector, highlighting that currently there is no system of unanimous laws, because each country has its own laws, even if the problems experienced are the same: that of protecting data above all. Adriana Berrocal, Managing Director, BValue Consulting, on the other hand, emphasised how cloud companies have a strong appeal to investors because «we are talking of a sector which is growing quickly». «The entire economy is now digitalised», noted Diego Ciulli, Italian Policy and Government Relations, Google International, who, in providing an overview of the development of cloud computing to the present day, defined the cloud as something which «in reality had already been thought of in the previous millennium, but became real much later, first in America and then more slowly in Europe».



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### Innovating with research

Innovation is the result of investment in infrastructure by a country that believes in research. So says Alessandro Ovi, Publisher and Editor, MIT Technology Review, and Director, STM, who focussed on some of the sectors in which technology will record the greatest growth: applied technologies, energy (fundamental, considering that *«the use of alternative sources, or improvement in their use, will be at the heart of research over coming years, given that fossil fuels are running out»*), communication and connective technologies, which Ovi defines as *«the global communication connection»*, or *«one of the greatest results of real poverty eradication and a contribution to the development of countries, since it brings connectivity worldwide»*.

### Managing research

At the next roundtable the discussion focussed on how technologies can improve our lives by applying research. For Pedro Alberto Gomez Rodriguez, Global Innovation Leader, PwC Spain, innovation comes above all from the right mix of creativity (in other words curiosity, observation, questioning, associating and experimenting) and discipline (policies, processes, products, people, partners), and speed is the element which unites them. A success story was also told by Aldo Uva, Chief Operating Supply Officer of

Ferrero International. As well as having created *«a bridge between the past and the future in a very innovative way»* and having united “passion and people” Ferrero continuously invests to strengthen the link between product and science, which is essential in order to innovate.

### Innovating with services

For anyone who knows how to leverage it, technology can be a strong efficiency driver. The companies wishing to make progress in the new globalised context must be able to confront numerous and important challenges, and the CFOs in this case have an even more fundamental role. *«We are in an era in which not only numerous changes are taking place, but they are also happening very rapidly,»* pointed out Carlo Alberto Carnevale Maffè of the Bocconi University of Milan, then focussing on how technology can optimise the company’s internal processes. According to Marco Vulpani, Deloitte Financial Advisory Innovation Leader, it is necessary to pay attention to how the role of customers has changed. The advent of social networks and e-commerce have changed the methods of interaction and generated a constant flow of information. According to Vulpani *«innovation is not an opportunity, now innovation is the new baseline, if you don’t innovate you don’t survive»*. But what is innovation? *«It’s a fresh idea that creates value, but not only that: just think about the role of incubators»*.

- 15. Pedro Alberto Gómez Rodríguez, Global Innovation Leader PwC;
- 16. Aldo Uva, Chief Operating Supply Officer Ferrero International;
- 17. Panel Leveraging Technology for Efficiency;
- 18. Congress Attendees;
- 19. Panel Innovative Business Intelligence;
- 20. Gala Dinner at Palazzo Parigi;
- 21. Fausto Cosi proclaimed Chairman IAFEI

### Innovating with business intelligence

During this panel, the discussion focussed on how to bring technological innovation to finance offices, and how to improve the performance of this business. A lot of pressure comes from the need to shorten and speed up the processing and presentation of data. *«Processes are moving towards automation,»* said Manuel Vellutini, Deputy CEO Business Strategy and Growth Tagetik Italia, *«which means reducing the risk of presenting incorrect data to investors, having a more complete vision and developing a more targeted structure as well as connecting operational information and financial information»*. The speech by Sergio Colella focussed on the new role of the CFO and presented the results of a survey which involved 300 CFOs, from which it emerged that the priority is that of creating solid risk management which can prevent the problems arising from security.

Digitalisation ranks second, followed by the increasingly business-oriented approach of the CFO.

### Innovation parameters. An industry to be “re-invented”

The CFO Summit, on its second day of works, then focussed on the issues of a company’s ability to reinvent itself and on the opportunities or variables that influence its economic success. Gerhard Dambach, CEO Southern Europe Bosch Group and CEO Italy Robert Bosch S.p.A., spoke of how change and volatility are the levers of the market: *«if you have a smart idea, you can conquer the market»* he stated. Efficiency and flexibility are the drivers of change.

### The emerging models of global companies

Donato Iacovone, Managing Partner of MED EY, underlined the importance of Big Data and Data Analytics: with Internet connections, we can constantly receive and release information. The data is almost infinite. Everything is connected in a company and generates information. The biggest mistake that a CFO can make is to think that Big data and everything that rotates around it are the responsibility of the IT department: *«Big data is a tremendous resource that must be used in all its aspects. CFOs must understand its importance and lead this revolution within the company, giving it the appropriate weight»*.



22. Gerhard Dambach, CEO Southern Europe Bosch Group and CEO Italy Robert Bosch; 23. Armand Angeli, IAFEI Organizing Committee and Area President EMEA; 24. Donato Iacovone, Managing Partner Med EY; 25. Valerio Nannini, Senior VP and Head of Strategy and Performance Nestlè; 26. Sergio Lamonica, IAFEI Organizing Committee; 27. Riccardo Barbieri Hermitte, Chief Economist Ministry of Economics and Finance of Italy; 28. Gregorio De Felice, Head of Research and Chief Economist Intesa Sanpaolo; 29. Platon Monokroussos, Deputy General Manager and Group Chief Economist Eurobank Ergasias; 30. Panel Capital Markets and Crossborder Investments

According to Valerio Nannini, Senior VP, Head of Strategy and Performance Nestlè, growth is becoming the lifeblood of the global economy and the strategic priority of CEOs and CFOs. On financial markets companies are increasing their value thanks to innovation, but to achieve innovation the main element must be passion. Entrepreneurship and innovation must become a single being.

#### Tax policy and debt sustainability

How sustainable is the debt? How much can be paid back? Not only public debt, but also household and business debt. Currencies and interest rates are positively influencing the GDP of key countries in the euro zone and peripheral countries, but the sustainability of sovereign debt is linked to stronger growth prospects, greater flexibility in the growth and stability plan, and the need for investment in innovations that can support the creation of jobs and greater productivity. These issues were discussed by the panel moderated by Sergio Lamonica, IAFEI Organizing Committee, featuring Riccardo Barbieri Hermitte, chief economist at the Ministry of Finance and Economy, the chief economist of the Intesa Sanpaolo Group Gregorio de Felice and Platon Monokroussos, Deputy General Manager and Group Chief Economist Eurobank Ergasias Greece.

Riccardo Barbieri Hermitte, speaking from Italy, stated that «the Government is aiming to lift real GDP growth above 1.6%» which is forecast for 2016 and to reduce the debt to GDP ratio. Italy's credibility is growing thanks to the fiscal discipline which we have demonstrated, by controlling spending». Also Gregorio De Felice was optimistic and, in his view, the outlook for the Italian economy is favourable and the country's GDP will grow by more than 1% in 2016-2017. «However,» the economist added «growth will be lower than the 1.6% forecast by the Government and will stand at around 1.2 and 1.4% respectively for 2016 and 2017». Monokroussos spoke of Greece in positive terms, illustrating

how the programme of internal devaluation and fiscal austerity have facilitated the elimination of the pre-crisis imbalances and how there is also a significant improvement in the national regulatory context.

#### Competition and regulatory barriers

Competition is the best incubator for technologies and innovation. Free trade and the absence of barriers influence a country's competitiveness or indeed entire sectors of its economy. The recurring international episodes of financial instability entail the risk of protectionism and anti-competitive responses. A tough policy of international coordination is necessary.

Salvatore Rebecchini, member of the Italian Competition and Markets Committee, in going over the history of economic development and citing the example of China, underlined that the system of state regulation must be revised: «a country's ideas must be listened to and the market must drive companies into a process of continuous evolution. The positive relationship between competition and growth has been amply demonstrated by economic literature: to increase productivity it is necessary to increase competition, to increase competitiveness it is necessary to have a system

of effective but not oppressive regulation and, finally, what is very important for growth is the link between competition law and the result in terms of growth.»

#### Capital market and foreign investment

Raffaele Jerusalemi, CEO of Borsa Italiana, and therefore the "host", set out the numbers of Borsa Italiana and of the London Stock Exchange, underlining that it is a particularly positive moment for IPOs. Jerusalemi then presented the success of the Elite programme, a platform to facilitate the encounter of businesses and the community of investors (private equity, venture capital, etc.) and to create networking and coaching. Again from Italy was the banker Roberto Nicastro who spoke about how in recent years the governance of Italian companies has greatly improved. This is because, according to Nicastro, many innovations have been introduced, not limited to technology, but also in governance itself, citing the example of the new company boards which now have a significant female presence of around 40%. It was then the turn of Navid Chamdia, number one at Real Estate Investments of the Qatar Investment Authority, who recalled that Italy accounts for 4.5% of the investments in Europe made by the sovereign fund of Qatar Investment and that this share is destined to rise. «We believe strongly in Italy,» Chamdia said. «A recurring issue for investments by sovereign funds is looking for stable income or an appreciation in the capital invested and with the growth of the economy income rises; Italy is attractive for this very reason. In addition, also the country's human resources are interesting, above all in the financial sector». Finally, Eugenio Sidoli, Chairman and CEO of Philip Morris Italia, spoke about innovation and noted the case from his own sector, underlining how in a market which acts on the basis of "damage limitation", there is constant research focussed on finding solutions to make cigarettes increasingly less harmful.

#### Innovating cash management

First "technical" discussion panel regarding the changes made to cash management. The roundtable was coordinated by the IAFEI ITC Chairman Omar T. Cruz and involved Dominique Chesneau, ITC member, Gianfranco Amoroso, Director Finance, SNAM Group and Richard Chenga-Reddy, Head of Regulatory Affairs Standard, Chartered Bank. Chesneau explained how the shadow banking system and financial technology companies (Fintech) are now the two sides of the new financial world. Gianfranco Amoroso instead briefly set out the history of Snam which, after the separation from Eni, started a major process of change in its management. There was an optimisation process in the period 2013-2014, through new use of the public and private debt capital market, banking incentives and institutional lending. Richard Chenga-Reddy, on the other hand, focused more on the impact of technologies and innovation on the banking sector thanks to which banks have introduced various technological innovations (Internet banking, mobile banking, etc.), but have not changed in terms of their substance. Hence the need for greater regulation and the use of technology to support the change.



### Operating control

The IAFEI ITC Chairman Frédéric Doche presented the results of the fifth research study undertaken by the Permanent Observatory on operating control systems, moderating a roundtable consisting of the finance managers Cécile Falchier (Sage), Stefano Grassi (Luxottica Group) and Jimmy Ysmael (Ayala Land). According to the Observatory, currently 3 companies out of 4, in other words 75% of those interviewed, use benchmarking, while an almost equal percentage, 72%, of controllers working in large companies believe that Big Data is important for their work. In addition to this, now near one third of companies publish reports within 5 days of closing them: 31% of companies do so, clearly up compared to 12% in 2014. «These are interesting figures, and they show how the new competitive context always presents fresh challenges for CFOs, and how this creates the need for new tools which can offer increasingly dynamic data analyses in real time,» argued Cécile Falchier. Stefano Grassi, on the other hand, emphasised the difference between producing and analysing data, underlining how a lot of time is spent producing data but little analysing it, when detailed analysis could help better understand the market. Just as operating control that could really “link numbers and

processes” would be more effective. Jimmy Ysmael also dwelt on the importance of analysis and underlined how also in the real estate sector financial data analysis systems help the work of CFOs.

### Ethics in the global market

A transparent vision and a mission inspired by ethical values can lead to exceptional investment returns. This issue was addressed by Luis F. Ortiz, Chairman of the IAFEI International Committee on Ethics, Brunello Cucinelli (founder and CEO of Brunello Cucinelli), Tomaso Cenci (Partner Gianni, Origoni Grippo&Partners), and Katya Lysova (Associate Member Services and Advocacy TRACE International). Cucinelli’s comments were based around his own personal experience: «I have always sought to work for the dignity of man because work increases the dignity of man,» the entrepreneur said, then emphasising that this is a “magnificent” moment for humanity thanks to the Internet. «Voltaire said that if you do not want to accept the changes of your time you will be left with the worst of them. We must get back to planning again,» said Cucinelli who then ended by saying that the future lies in returning to a union of spirit and mind, because humanity cannot be guided just by

31. Lunch; 32. Navid Chamdia, Head of Real Estate Investments Qatar Investment Authority; 33. Roundtable Management Controllershship Innovation; 34. Omar T. Cruz, Presidente IAFEI ITC; 35. Gianfranco Amoroso, Finance Director SNAM Group; 36. Richard Chenga-Reddy, Head of Regulatory Affairs Standard Chartered Bank; 37. Dominique Chesneau, IAFEI ITC Member; 38. Luis F. Ortiz, IAFEI ITC Chairman; 39. Tomaso Cenci, Partner Gianni, Origoni, Grippo & Partners; 40. Brunello Cucinelli, Chairman and CEO Brunello Cucinelli; 41. Katya Lysova, Associate Member Services and Advocacy TRACE International

numbers. Katya Lysova focussed on combatting corruption. «It is the poorest who usually bear the weight of corruption,» she stated, «and yet paying bribes does not bring any economic benefits nor does it ensure security in the workplace, but rather we risk entering a vicious circle in which the counterpart keeps on asking for more». Tomaso Cenci then recalled how fighting corruption is not important just for lawmakers, but for everybody. Italy is working to improve its anti-corruption law and doing so quite quickly.

### Global fiscal prospects

The continual changes in the national taxation systems and their increasing harmonisation will have a significant im-

pact on the work of CFOs. This was discussed by Piergiorgio Valente (IAFEI ICT Chairman), Valente’s colleague Jérôme Bogaert, Head of Tax and Legal Services in PwC, Fabrizio Acerbis and Deloitte Partner Henk Koller. Focussing on the importance of the BEPS, Jérôme Bogaert emphasised how the shared goals of the BEPS and the taxation system must be those of regaining public trust in the national and international taxation system, guaranteeing greater certainty for companies and creating greater consistency in a country’s tax policies with those of others, also improving the guarantees for taxpayers and investors. Henk Koller spoke about the important role of tax consultants, highlighting how each country has its own perception of this role: in France, for example, tax consultancy is the domain of lawyers, while in other countries accountants hold sway. So what does a tax consultant do? It depends on the country we are talking about, because it is a role that changes depending on the area it works in and depending on the technology, it can draw on. Finally, also Fabrizio Acerbis spoke about changes and stressed how the ways in which tax administrations are interlinked are changing because the exchange of information has multiplied. «Companies must be aware,» he said «that transparency and divulgation are



42. Roundtable Global Taxation in Perspective; 43. Roundtable IFRS Developments; 44. Sergio Lamonica named ANDAF Honorary Member; 45. ANDAF Board



increasingly becoming the environment in which we need to work, there is no alternative and I think that this is a trend which is already on-going and will not change».

#### Developments in the IFRS

How do the IFRS meet the expectations of investors and of the financial community? This was discussed by the Chairman of the IAFEI Advisory Council Conchita Manabat, Vincent De La Bachelerie (Partner EY), Amaro Luiz de Oliveira Gomes (IASB Board Member) and Orazio Vagnotti (Partner KPMG). Vincent De La Bachelerie raised several questions: how to best represent financial performance? What information is relevant and what is not in drawing up these standards? «The challenge is to keep responding to the needs of investors,» concluded De La Bachelerie. For Gomes, the changes that have been taking place in recent years will influence the world of business and future finance and, therefore, also its standards. In this regard, Gomes noted that many people have accused the IASB of taking an interest in studying financial instruments only after the economic crisis of 2008, but Gomes refuted this. With the crisis there was simply an increase in the need on the part of financial administrators to ha-

ve more detailed data and guidelines. This has led to the creation of new standards and an improvement in research studies and the classification of financial instruments. «The IFRS were introduced in 2005, 10 years have gone by. What impact have the IFRS had over this time?» Orazio Vagnotti started his contribution by raising this question. For the Partner from KPMG the results are certainly positive: company interaction has increased and improved, countries have adopted the same standards and this has facilitated M&A work, transparency, investments and commercial transactions.

#### See you in Moscow (with Fausto Cosi as Chairman)

The meeting in Milan was also the moment to appoint the new IAFEI Chairman for 2016. Fausto Cosi, the current Chairman of ANDAF, was the person chosen to succeed the Mexican Luis Ortiz-Hidalgo. The handover was formalised at the end of the two days of meetings in Milan at the Russian pavilion at Expo since Russia will host the 46th IAFEI international conference in 2016.

So thanks to Ortiz-Hidalgo for the great work he has done and all best wishes to Fausto Cosi in his new role. See you in Moscow.

