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Japan Economic Outlook

New hopes in 2015 as policymakers spring into action

As 2014 came to an end, it was clear that the impact of the April 2014 tax hike was harder on economic activity than initially expected. Annualized real GDP growth for the third quarter was revised down by 0.3 percent to -1.9 percent due to weaker fixed investment. Earlier, the economy had shrunk by an annualized rate of 6.7 percent in real terms in 2014 Q2, which implies that the economy fell into a technical recession by 2014 Q3.

Ongoing efforts to get the economy out of deflation that has lasted a decade-and-a-half have been adversely affected by the recent sharp drop in oil prices. Consumer price inflation slipped to a 17-month low of 0.4 percent in November, after accounting for the effect of April's tax increase (which added 2 percent to inflation from May onward). Core consumer price inflation was merely 0.7 percent in November, down from 0.9 percent in October 2014. While the Bank of Japan (BOJ) expects inflation to reach the 2 percent target rate in the next six months, its quarterly survey showed that most companies forecast a weaker rise in output prices in December than they expected in October.

When the policy known as Abenomics was initiated, the combination of aggressive monetary policy, fiscal stimulus, and deregulation was intended to reverse two decades of stagnating growth combined with declining prices. Yet several things went wrong. First, fiscal policy, rather than offering stimulus, did the opposite when the national sales tax was increased in April. Second, the government failed to implement any significant deregulation of the economy. Finally, Japanese companies have failed to boost wages even when inflation started to accelerate. The result has been a sharp drop in real wages.

Until Q2 2014, the economy responded positively to the first two arrows of Abenomics, which involved easy monetary and fiscal policies to boost the economy. However, post the tax hike in April, the economy started faltering. Although recent monthly data on retail sales, the industrial production, and exports suggest that the economy may exit recession in Q4, the growth outlook for the quarter remains grim.

Rapid policy actions

The policy authorities of Japan are now rapidly shifting gear to ease policies in order to boost growth. Following the release of the Q3 GDP numbers, Prime Minister Shinzo Abe called for an immediate snap election in November and decided to delay the consumption tax increase by an additional 18 months. The cabinet also approved a new economic package of 3.5 trillion Japanese yen to revitalize the economy. The stimulus is expected to provide some relief to consumers, who have been facing spending constraints due to the rise in taxes, and thereby boost consumer spending. A third of the proposed package is designed to assist small businesses and households, whose real income has been affected by the declining yen and increasing input costs. In addition, the stimulus is aimed at boosting Japan's local economies, infrastructure, and public works.

The government is also trying to persuade domestic companies to raise wages and boost investment spending by reducing corporate taxes. It recently announced that the corporate tax rate would be cut by 3.29 percent over the next two years and that it intends to gradually reduce the tax from the current rate of 34.6 percent to below 30 percent over the next five years. Companies in Japan have record cash holdings worth 233 trillion yen. Economic uncertainties and poor domestic demand have dissuaded these companies from increasing business spending or raising wages. The government is hoping that these incentives will motivate companies to spend more.

Earlier in October, the BOJ stepped up quantitative and qualitative monetary easing. The BOJ governor surprised the financial market by announcing that the bank will increase its asset purchases each year from 60–70 trillion yen to 80 trillion yen.

The government ended the year with expectations that it will engage in structural reforms aimed at boosting productivity in 2015. The combination of aggressive monetary and fiscal policies, together with the postponement of the tax increase, resulted in further depreciation of the yen, while the equity index soared by the end of 2014. Depreciation in the domestic currency is expected to raise the economy's export competitiveness, while rising equity may boost investors' confidence.

Growth outlook for 2015

In 2015, the performance of the economy will likely depend, in part, on whether Abe goes ahead with his much-discussed reform agenda. The ruling coalition won a majority in the parliamentary election in December, giving Abenomics another chance to revive the economy. The implementation of the policies is only halfway through, and a lot more needs to be done to win investors' confidence. The recent win may help Abe to push ahead politically unpopular economic reforms.

Additionally, a number of factors will likely influence growth, such as the monetary policy stance of the BOJ, the government's approach to fiscal consolidation, the pace of growth among Japan's important trade partners and the resulting foreign demand for its export, the willingness of businesses to increase investment, and the shrinking workforce.

The BOJ will likely maintain its asset purchases through 2015 to prevent the economy from sliding back to deflation. Monetary easing will likely help reduce interest rates, boost the money supply, and depreciate the domestic currency further. The decision to delay the second tax hike will shift the negative impact of fiscal tightening on growth, which implies that there might be an upward revision of GDP projections for 2015. Poor growth and lower investment in China may hurt Japan's exports because the former is the biggest trading partner of the latter. However, stronger growth in the United States and a modest recovery in some of the EU regions may partially offset the impact of slowing growth in China.

One of the biggest near-term challenges will be to revive business investment as the economy continues to contract. Unless companies start investing their idle cash to build capital, expand operations, engage in new businesses, and boost wages, growth momentum will likely remain slow. On the other hand, Japan's shrinking workforce will likely cause the biggest long-term drag on the economy; the number of births hit an all-time low in 2014. While increasing women's participation in the labor force might offset the impact of a declining population for some time, in the long term, demographic pressures will significantly affect economic growth.

Accounting News

IFRSs

IASB Finalizes Amendments Regarding the Application of the Investment Entities Exception

In December, the IASB issued Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28). These amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. These amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

IASB Finalizes Amendments to IAS 1 Under the Disclosure Initiative

To complement its work being done in the Conceptual Framework project, the IASB issued Disclosure Initiative (Amendments to IAS 1). The amendments to IAS 1 issued aim to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The IASB made the following changes:

- Materiality. The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- Statement of financial position and statement of profit or loss and other comprehensive income. The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- Notes. The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

All above-mentioned amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

IASB Proposes Amendments to IAS 7 as a Result of the Disclosure Initiative

As part of its disclosure initiative, the IASB also proposed additional amendments to IAS 1 Presentation of Financial Statements to clarify the classification of liabilities based on the contractual arrangements in place at the reporting date, and amendments to IAS 7 Statement of Cash Flows to improve the information provided to the users of financial statements about an entity's financing activities and liquidity.

Deloitte Releases Latest Edition of its iGAAP Series, “iGAAP 2015”

Deloitte has released the latest edition of its iGAAP series, “iGAAP 2015,” which provides comprehensive guidance for entities reporting under IFRSs. The new edition (1) focuses on the practical issues faced by reporting entities; (2) clearly explains the requirements of IFRSs; (3) adds interpretation and commentary on topics about which IFRSs are silent, ambiguous, or unclear; and (4) contains many illustrative examples.

Do download an electronic copy, please point your browser to:
http://www.iasplus.com/en/publications/global/igaap/igaap-2015-a

U.S. GAAP

FASB Releases ASU 2015-01 'Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items'.

This new guidance was released in January as part of its simplification initiative, which is intended to "identify, evaluate, and improve areas of U.S. GAAP for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements". At the same time, the update will more closely align the income statement presentation guidance under U.S. GAAP with IAS 1 Presentation of Financial Statements, which prohibits the presentation and disclosure of extraordinary items.

The FASB has issued Accounting Standards Update (ASU) No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis," which amends the consolidation requirements in ASC 810.

The amendments in this ASU simplify FASB ASC 810 by reducing the number of consolidation models. This is accomplished through the elimination of specialized guidance for limited partnerships and similar legal entities through the elimination of the indefinite deferral for certain investment funds. The ASU also places more emphasis on risk of loss when determining a controlling financial interest.

While the Board's focus during deliberations was largely on the investment management industry, the ASU could have a significant impact on the consolidation conclusions of reporting entities in other industries. For example:

- Limited partnerships will be variable interest entities (VIEs), unless the limited partners (LPs) have either substantive kick-out or participating rights. Although more partnerships will be VIEs, it is less likely that a general partner (GP) will consolidate a limited partnership.
- The ASU amends the effect that fees paid to a decision maker or service provider have on the consolidation analysis. Specifically, it is less likely that the fees themselves would be considered a variable interest, that an entity would be a VIE, or that consolidation would result.
- The ASU significantly amends how variable interests held by a reporting entity's related parties or de facto agents affect its consolidation conclusion. Specifically, the ASU will result in less frequent performance of the related-party tiebreaker (and mandatory consolidation by one of the related parties) than under current U.S. GAAP.
- For entities other than limited partnerships, the ASU clarifies how to determine whether the equity holders (as a group) have power over the entity (this will likely result in a change to current practice). The clarification could affect whether the entity is a VIE.
- The deferral of ASU 2009-17 for investments in certain investment funds has been eliminated. Therefore, investment managers, GPs, and investors in these investment funds will need to perform a drastically different consolidation evaluation.

Although the ASU is expected to result in the deconsolidation of many entities, reporting entities will need to reevaluate all their previous consolidation conclusions.

Japanese GAAP

On 15 December 2014, the newly created Accounting Committee of Japan's Business Accounting Council (BAC) held its first meeting. The Committee's role is to deliberate accounting matters in order to promote further use of IFRSs in Japan and to strengthen Japan's voice in the future development of IFRSs. The first meeting was dedicated to assessing the current situation regarding the use of IFRSs in Japan and to discussing related activities by the Japanese standard-setter ASBJ and by Japanese stock exchanges. No decisions were made at the meeting and a future direction of the activities of the Committee did not emerge. However, during the meeting, the representative of the Financial Services Agency of Japan (FSA) confirmed its intention to expand the use of IFRSs in Japan, reiterated its support of the current direction of promoting further voluntary use of IFRSs (this is backed by a decision of the National Cabinet), and hinted that Japanese GAAP may be a topic for future discussions.

For more information, please visit: IASPlus.com (IFRS) or USGAAPPlus.com (U.S. GAAP) or speak to our Deloitte experts Shinya IWASAKI, Partner (shinya.iwasaki@tohmatsu.co.jp), Etsuya WATANABE, Senior Manager (etsuya.watanabe@tohmatsu.co.jp) or Laurent FOUGEROLLE, Senior Manager (laurent.fougerolle@tohmatsu.co.jp).

Tax News

New Exit Tax for Japan - Overview

The Japanese authorities announced in the latest tax reform proposals released on 30 December 2014 that Japan would implement an exit tax effective 1 July 2015. The following explains the scope of the exit tax as based on information available at the time of writing and may be subject to change depending on the final regulations as enacted into law.

Background

Certain high-profile cases have been identified where individuals with significant unrealized gains could break Japanese tax residence; relocate to a country, such as Hong Kong or Singapore; and through a combination of the tax treaty and Japanese domestic law, sell shares of Japanese companies and not pay any tax (either to Japan or to the country of residence). The Japanese authorities determined that the introduction of an exit tax on such gains would be the appropriate measure to discourage such tax planning and perceived abuse of tax treaties, a view consistent with the current focus on treaty tax planning in the "Base Erosion and Profit Shifting" debate.

Scope of exit tax

The exit tax is applicable to the following taxpayers:

- Individual is a resident of Japan and breaks tax residency
- Individual has been a resident of Japan for more than five years* in the 10 years up to point of breaking residency (regardless of nationality).

  *Certain periods may be excludable when counting years of residence based on the type of visa held by the taxpayer. The duration of stay in Japan under visa categories in Table 1 of the Immigration Control and Refugee Recognition Act will not be counted, e.g. Investor/business manager, Intra-company transferee, specialist in Humanities/international services, temporary visitor, etc. Periods where the individual is living in Japan under a spouse visa or as a "permanent resident" will be included when counting years of residency.
- Individual has financial assets with a value of 100 million yen (around $1 million at 100 JPY: $1) at the time he or she breaks residency.

Where a resident taxpayer of Japan meeting the above conditions attempts to break residency from Japan, the taxpayer is deemed to have disposed of all financial assets on the final day of residence, such that gains and losses are realized on that day. The taxpayer is required to pay tax on the net gains at the relevant national tax rate of 15.315%.

Scope of financial assets subject to exit tax

Our expectation is that all shares, debentures, traded options, and similar assets will be subject to the exit tax. Assets, such as real estate will not be subject to the tax. Pension assets could also be subject to the exit tax, but this will depend on the detailed provisions that are yet to be announced. Assets that would be subject to tax not at the capital gains rate, such as options awarded as part of an employment, we would expect to be exempt from the exit tax but this will depend on the actual provisions drafted.

Deferral of exit tax

The tax reforms also mention that a taxpayer should be able to defer payment of the exit tax, where due, by appointment of a tax representative and by posting of a bond or other security against the gain. The election to defer the gain will be an annual election and so this will increase tax administration for any taxpayer wanting to defer the gain.

Savings clauses to reduce double taxation

The draft provisions also include a wide range of savings clauses to prevent taxpayers being subject to double taxation due to the exit tax deferral. For example:

- Where an asset subject to the exit tax is taxed in another jurisdiction and no foreign tax credit is available for the exit tax paid, then Japan will reduce the exit tax by the foreign tax paid.
- Where the actual gain is lower than the amount on which the taxpayer has paid the exit tax, the exit tax can be reduced to the amount as calculated on the actual gain.
- Where losses are higher on actual sale than in the exit tax calculation, then these can be reflected and the exit tax amount due correspondingly reduced.

These are broad concessions and should be good news to taxpayers who are subject to tax on gains in their country of residence and are inadvertently caught by the exit tax. Claims for refunds of the exit tax can be made for up to five years, but must be made within four months of the sale of the asset. If the exit tax is paid at departure and the taxpayer returns to Japan within five years, he/she can make a refund claim to decrease the tax on any assets retained for at least four months after returning to Japan. Where the exit tax payment is deferred, the five-year period to return to Japan is extended to 10 years. It is not clear as to what documentation will be needed from taxpayers to substantiate assets subject to the exit tax to claim foreign tax credits or reduction in assessed gains. However, it is clear that the administrative burden will be high and taxpayers will need to work closely with tax advisors in Japan when assets are sold to ensure that where gains can be reduced that relevant claims are made within the required time limits.

Deloitte's view and next steps

Given the wide range of visa types that are excluded from the proposed regime and the provisions that will be included to relieve double taxation for taxpayers, it is clear that provided managed correctly, taxpayers who are subject to a tax of at least 15.315% on the gain from financial assets should not have an increased tax burden provided the reliefs can be claimed. However, the need to deal with the provisions, post security to defer gains, etc., will be a not insignificant burden for taxpayers leaving Japan. Employers with tax-equalized executives in Japan will also need to address treatment of the exit tax from an operational and a policy point of view.

For more information, please speak to our Deloitte experts Russell BIRD, Partner (russell.bird@tohmatsu.co.jp), or Shingo IIZUKA, Director (shingo.iizuka@tohamtsu.co.jp).

M&A News

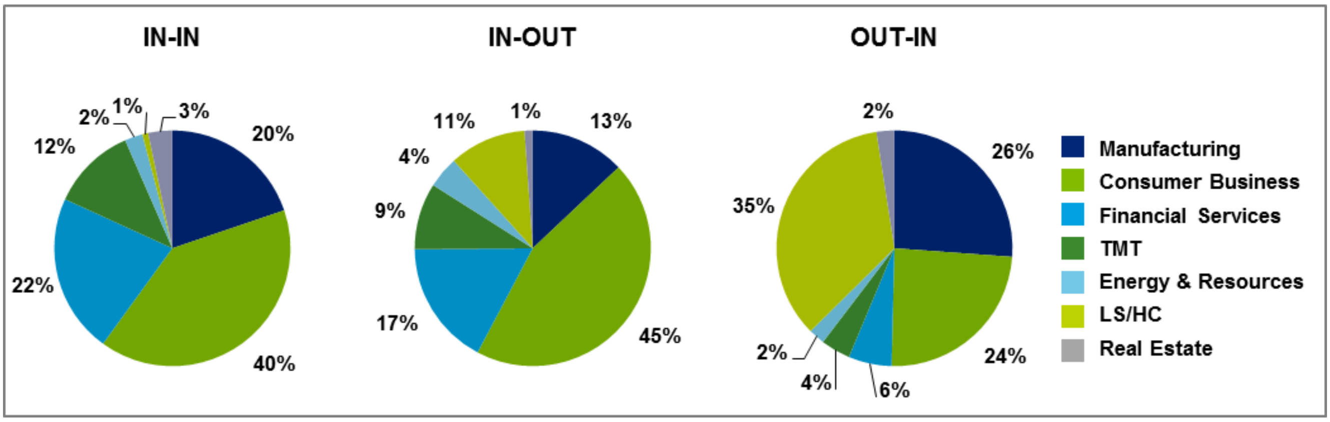
Deal Value

The value of announced M&A transactions with Japanese involvement totaled 8,911 billion yen during 2014, a 3% increase from comparable 2013 levels.

Deal Value by Sector

- The 2014 disclosed deal value of 8,911 billion yen was primarily spread across three sectors:
- Consumer Business at 3,657 billion yen or 41.0%, a 162.7% increase from the 1,392 billion yen in 2013
- Financial Services at 1,483 billion yen or 16.6%, a 23.1% decrease from the 1,928 billion yen in 2013
- Manufacturing at 1,445 billion yen or 16.2%, a 43.9% decrease from the 2,574 billion yen in 2013

Deal Value by Sector

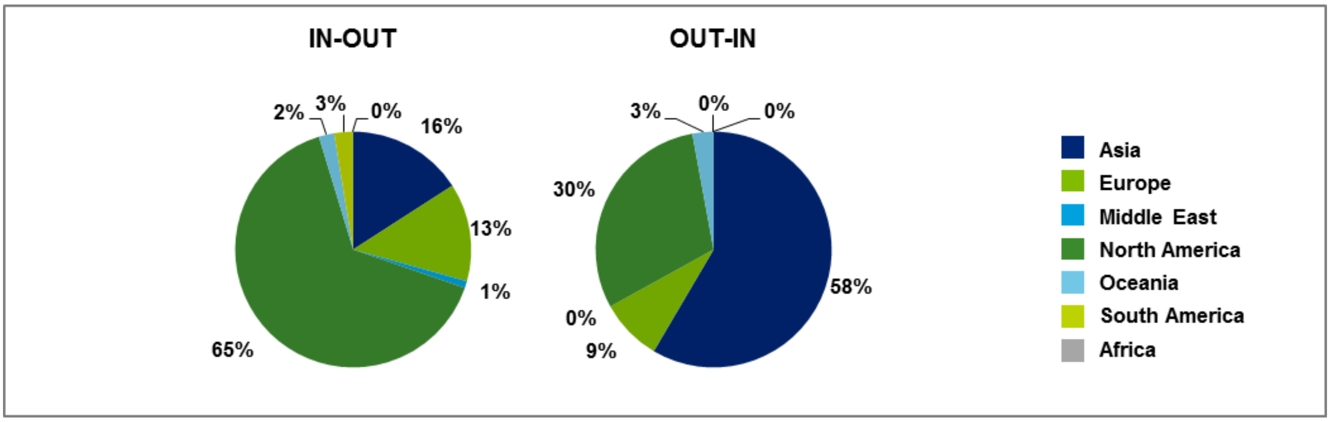


Deal Value by Type

Japanese domestic deals increased by 9% from 2013, recording a total of 1,945 billion yen in value. Japanese outbound cross-border activity increased 9% from a year ago. Japanese inbound cross-border activity fell 23% compared to 2013 levels.

- Domestic deal activity accounted for JPY 1,945 billion or 21.8% of total deal value in 2014 with the Consumer Business and Financial Services sectors representing 40.2% and 21.8% of the value, respectively
- Outbound deal activity accounted for JPY 5,774 billion or 64.8% of total deal value in 2014 with the Consumer Business and Financial Services sectors representing 44.8% and 17.1% of the value, respectively
- Inbound deal activity accounted for JPY 1,192 billion or 13.4% of total deal value in 2014 with the Life Science & Health Care and Manufacturing sectors representing 34.9% and 26.2% of the value, respectively

Deal Value by Region



Deal Volume

2,285 deals involving Japanese companies were announced during 2014, a 12% increase from a year ago. The deal volume returned to the level in 2008 before the Lehman shock.

Deal Volume by Sector

The 2,285 deals occurring in 2014 were primarily spread across the following 3 sectors:

- Consumer Business at 883 deals or 38.6%, a 10.4% increase from the 800 deals in 2013
- Telecommunication, Media and Technology at 581 deals or 25.4%, a 28.0% increase from the 454 deals in 2013
- Manufacturing at 489 deals or 21.4%, a 6.1% increase from the 461 deals in 2013

Deal Volume by Type

- Domestic deal activity accounted for 1,558 or 68.2% of total deal volume in 2014 with Consumer Business and Telecommunication, Media and Technology sectors representing 41.8% and 26.3% of the volume, respectively
- Outbound deal activity accounted for 557 or 24.4% of total deal volume in 2014 with Consumer Business and Manufacturing sectors representing 33.0%, and 26.8% of the volume, respectively
- Inbound deal activity accounted for 170 or 7.4% of total deal volume in 2014 with Consumer Business and Manufacturing sectors representing both 28.2% of the volume, respectively

Values (Billion JPY)	IN-IN	IN-OUT	OUT-IN	TOTAL
2013 Full Year	1,787 (21%)	5,282 (61%)	1,552 (18%)	8,621
2014 Full Year	1,945 (22%)	5,774 (65%)	1,192 (13%)	8,911
% Change	9%	9%	-23%	3%

Volumes (Transactions)	IN-IN	IN-OUT	OUT-IN	TOTAL
2013 Full Year	1,400 (68%)	499 (24%)	149 (7%)	2,048
2014 Full Year	1,558 (68%)	557 (24%)	170 (7%)	2,285
% Change	11%	12%	14%	12%

IN-IN | Acquisition of Japanese companies by Japanese companies (domestic)
IN-OUT | Acquisition of non-Japanese companies by Japanese companies (outbound)
OUT-IN | Acquisition of Japanese companies by non-Japanese companies (inbound)

Passion versus Ambition

In the following essay, John Hagel III, director, Deloitte Consulting LLP, and co-chairman, Deloitte's Center for the Edge, discusses how ambition and drive may be sufficient in a world that is predictable, but questions whether they are enough in a world of constant change and disruption.

Were the "titans of modern industry" - the Rockefellers, Carnegies, and JP Morgans - passionate or not? What about Bill Gates or Mark Zuckerberg? It is almost impossible to answer that question without having direct knowledge of an individual - such figures have moved into the realm of mythology and even their own accounts of their actions and motivations were written under the veil of looking backward over a successful career. But the underlying question is more relevant: Why does passion matter? If we were to say that such leaders and influencers may or may not have had passion, as we define it, then who cares about passion?

Ambition, even ruthless ambition, or a "passion for making money" or for "succeeding" is different than the passion of the Explorer. Each has a place. Each might bring the individual great wealth, fame or accolades within a field or industry. Each might equally allow the individual to be happy or unhappy. But passion and ambition are two separate things.

Passion, or more specifically what we call the passion of the Explorer, refers to three attributes: a Questing disposition, a Connecting disposition and a Commitment to Domain. Explorers are defined by how they respond to challenges.

They get excited by, and actively seek out, challenges. They connect with others to learn, develop skills and solve problems. They build their careers with a desire to make an impact in a specific domain over the long term. Through their behaviors, Explorers help themselves and the companies they work for develop the capabilities to constantly learn and significantly improve performance over time.

What is the difference between a passionate worker and an ambitious one? Is one better than the other?

Both often work extra hours and are performance-oriented. Both have the potential to drive significant performance improvement in the organization. However, while ambition and drive are sufficient in a world that is predictable, they are not enough in a world of constant change and disruption.

Organizations are full of ambitious people. Ambitious workers tend to be motivated by external rewards and recognition. They figure out the performance metrics needed to achieve the next level or reward and work toward those metrics. Often, they focus more on the metric itself or on enhancing a resume in order to get to the next opportunity than on deriving pleasure or satisfaction from the actual work. Because of this orientation toward maintaining the status quo, ambitious workers are less likely to challenge an organization's goals, practices and policies; as a result, they are less likely to identify new possibilities for how things might be done or to see new opportunities for the organization in response to emerging trends or disruptions. Note, that this tendency to not challenge the status quo is most relevant to individuals in a mid- to large-sized company or institution. Entrepreneurs are likely to pursue disruptive activity and challenge the status quo regardless of whether they are passionate or simply ambitious. An ambitious entrepreneur, though, is driven by extrinsic rewards - the desire to make money or build a reputation or accumulate status rather than out of a desire to challenge themselves to achieve more of their potential and thereby grow in new directions.

Passionate workers, on the other hand, are internally motivated through their desire to quest, connect and make an impact. They focus on their own learning and achieving more of their potential rather than on preset metrics or external rewards. As a result, passionate workers often challenge conventions and offer new perspectives, and they are more likely to be able to step back and reframe the organization's approach to a specific task or to the entire market. They take on new challenges that may not advance (or may even be detrimental to) their careers, and as a result, pull their teams along with them to new levels of performance and to attempt promising, though possibly risky, ventures.

Passionate workers are also more likely to build trust-based relationships because they are willing to express vulnerability in terms of sharing what they don't know but really excites them. Ambitious workers who are focused on carefully crafting a personal brand based on major accomplishments and strengths don't want to reveal any weaknesses or lack of knowledge and will tend to build transactional, reciprocal relationships as a result.

For those with the passion of the Explorer, money and personal wealth are just by-products of an individual pursuing her passion. It means little if it is not attached to making a difference in terms of reaching higher levels of performance or creating more value for others in the domain. For this reason, we'd suspect that our more recent titans - Steve Jobs, Mark Zuckerberg - had a degree of what we've defined as worker passion: They stayed deeply involved in taking on big challenges, learning and risking money and reputation to make an impact, long after they had attained status and wealth and other external markers of success.

This brings us back to the question: Why does worker passion matter and why should organizations care whether workers are passionate or ambitious? In a global environment increasingly characterized by mounting performance pressure, rapid change and more frequent disruptions, large traditional institutions will have to take on new roles, develop new capabilities and fundamentally shift their relationships with customers and partners in order to survive. Those that have employees focused on learning and performance, who embrace new challenges and experiment with new ideas, will have a better chance of navigating a complex and shifting global environment than those with a workforce focused on racking up positive performance reviews and climbing ladders.

Passionate workers are the ones who can help companies build the ability to grow stronger in the face of unexpected challenges and navigate the world of constant disruption. Ambitious workers are the ones who can drive execution to the plan. Attracting and retaining people with the passion of the Explorer requires effort. More than any extrinsic rewards, these people need an environment that will help them to grow more rapidly and achieve more of their potential. Companies would do well to ask themselves whether the work environments they provide can help to catalyze, nurture, and amplify their passion. Ambition is no longer enough; our more challenging world demands nothing less than passion.

Protecting Your Time in Executive Transitions

Executive transitions are demanding, even for seasoned C-level professionals. If you are coming from outside a company or industry, time is required to establish relationships and learn about the business. When you are promoted to a C-level role for the first time, you need time to learn the new aspects of the role and fill in any skill gaps. In the first few months, you will also be pulled into many internal meetings as you try to get a handle on your new role. Meanwhile, myriad staff members, vendors and consultants will be knocking on your door wanting to know you. And this, of course, is in addition to the barrage of emails that will beckon your attention.

It is no surprise we often find executives have to pull 60- to 80-hour work weeks during a transition. This is neither a sustainable nor a healthy model. Given that time is your irrecoverable resource, it is important to manage it with care, protect it for your most important priorities and establish a resource model to best serve you during and after your transition.

Based on our transition labs, following are some of the strategies executives use to manage their time and increase their capacity for work: screen, schedule, routinize and delegate.

Screen

After the first 30 to 45 days, you will have a pretty clear picture of the internal meetings that are unproductive that you no longer want to attend. Unless they are led by your boss, you can probably find a way to excuse yourself from meetings that do not serve you well. Killing unproductive meetings in your own department may also be a useful way to free up time and win credibility with your staff who may feel the same way. If you have an executive assistant (EA), make sure you have one that's a capable guardian of your time. A good executive assistant screens incoming calls and meeting requests, qualifying those requests against specific criteria that you jointly set with him or her. To this end, it is important to spend time with your EA early and set up clear criteria and expectations for how you want to schedule your time. Ideally, an EA can also assume responsibility for routine administrative matters. Having a strong executive assistant seems obvious, but it is surprising how often we find executives do not have a strong resource in place.

Schedule

In our labs, we often hear executives note that it is hard to take “time out to think.” One simple and trite answer is to schedule it. Make time on your calendar for yourself that is inviolable by other meetings and interruptions. Some executives we worked with come to the office early to spend a few hours by themselves, thinking through issues and forming the day’s agenda.

Another issue many executives confront is the plethora of emails that they receive. Email in many organizations is today’s weapon of “mass distraction.” Some executives choose to reserve time for emails - choosing not to do it first thing in the morning, attending to important ones in the middle of the day or lunch and wrapping up others in the evening. Scheduling email time avoids distractions during other meetings and work.

A third thing that merits scheduling are things that may be difficult to do or essential to learn. Suppose you are a treasurer that’s appointed to a CFO role without a CPA background. You really want to master key accounting and control issues to increase your confidence as a CFO. You may schedule regular weekly meetings during the transition period with your controller and chief accountant to brief you on the requisite issues and bring you up to speed on them.

Routinize

Often, executives come into an organization and find that key processes are broken. For example, an incoming CFO may encounter an ad hoc budgeting process that's too time-consuming. One way to protect your time is to establish a routine. In the budgeting case, perhaps it is building business case templates and a consistent process for project evaluation that is transparent across stakeholders. Creating routines and good processes can free up time by removing the need to reinvent a solution every time an issue arises.

Delegate

Delegation is the biggest key to protecting your time. How you can assemble and motivate a team, allowing you to delegate projects and free up time to attend to the important stuff? As a C-level executive, you may have another opportunity to directly recruit a manager to assist you. This is often vital to increasing your capacity.

Such a recruit may be a talented young manager within your department who is recruited as "leadership program fellow," "chief of staff," or similar title on a one- to two-year rotational assignment. The purpose of their assignment can be twofold. First, as part of leadership development program, they gain leadership skills and exposure to your role as well as your peer leaders' within a company. Second, they can handle a number of tasks on your behalf: attending meetings as a listener and your proxy, preparing presentations and meeting materials, handling less-important emails and managing projects against key milestones. Having an effective young manager to delegate to can dramatically increase your efficiency and free up your time.

The Takeaway

Screening, scheduling, routinizing and delegating are some of the ways we find executives protecting their time to attend to the truly important stuff. As a C-level executive, having a strong executive assistant and a high-potential young manager dedicated to you can increase your capacity to attend to priority issues. After all, you were recruited to do more than "business as usual"

What Traits Do You Recruit For?

Nearly all new C-level executives find that they will likely have to replace some people on their team and recruit new leaders. As you rebuild your team, what traits and qualities will you look for? What indicators might help you identify higher-potential staff and likely "A" players?

The Essential Traits

In CFO interviews, we identified six key leadership traits including: curiosity, courage, perseverance, integrity, confidence and empathy. Some of these traits may be innate while other traits were developed over time, forged in the crucibles of critical moments and relationships.

Curiosity

Curiosity is both the most surprising and most frequently mentioned trait we discovered across our interviews. Our interviewees' desire to understand and learn new things helped them to build the diverse experiences that later gave them the foundation to be an accomplished leader. Yet, the importance of curiosity as a critical employee or manager is rarely studied in the management literature. A number of CFOs have noted that curiosity is one of the most important qualities that they look for in recruiting talent. Whether innate or cultivated, curiosity is vital to motivating leaders to pursue experiences and learn lessons that build deeper insights and understanding in an ever-changing knowledge economy.

Courage

Courage is the willingness to face uncertainty and perhaps danger. In all of our interviews, interviewees identified critical moments in which they were called upon to be courageous and willingly move into unfamiliar ground in order to go forward. Often, courage is manifested in the willingness to take on new challenges that stretch the individual well beyond what he or she already knows how to do. Courage helped the leaders we interviewed master new skills and experiences critical to their advancement and their personal credibility.

Perseverance

Perseverance (the willingness to work through challenges without giving up) is another trait vital to individual success in both professional and personal contexts. Often, perseverance provides the drive to master a difficult subject or situation. Among our respondents, this willingness to persevere was sometimes learned in childhood. Others work at cultivating this trait, training with determination to excel in an area where they are not naturally gifted, such as a musical instrument or a sport, to achieve a high level of proficiency. Perseverance enabled these executives to undertake challenging and difficult assignments and advance in their chosen professions.

Integrity

All of our interviewees emphasized the importance of integrity. The trait of "ethically saying what you mean; and doing what you say" is highly desirable not only in a CFO but across the C-suite. Being able to marry the right intentions with right actions provides a foundation for trust within and across an organization. Getting things done with integrity also makes it easier for others to work for and with you.

Confidence

Confidence is another trait our interviewees highly valued. Confidence does not have to be innate; a calm and self-assured style can be cultivated through practice. Confidence that's grounded in prior experience and confidence in engaging the unknown are particularly valuable. Leaders expressing confidence can assuage anxieties and make it easier for staff to follow direction.

Empathy

Empathy, the ability to understand and consider another's point of view, is also highly valuable for leaders. Empathy can be valuable in testing your point of view against those of others and in avoiding blind spots in decision-making. Furthermore, it can help executives be more effective communicators to, and influencers of, their key stakeholders by driving understanding and helping to find points of convergence that meet each other's needs.

The Takeaway

When you take on a new executive role, it is very likely you will have to recruit some new members to your team. Recruiting and onboarding of new talent to your team is likely to create significant demands on your time, and success is not always guaranteed. Beyond gauging proficiency in their functional specialization, recruiting to the above traits may help to improve the odds and return on recruiting - helping to identify high-potential, future leaders who are adaptive to changing organizational contexts and needs.

The CFO Program for International Companies

Deloitte's Chief Financial Officer (CFO) Program brings together a multidisciplinary team of Deloitte leaders and subject matter specialists to help CFOs stay ahead in the face of growing challenges and demands. The Program harnesses our organization's broad capabilities to deliver forward thinking and fresh insights for every stage of a CFO's career - helping CFOs manage the complexities of their roles, tackle their company's most compelling challenges and adapt to strategic shifts in the market. Deloitte's vision is clear: To be recognized as the pre-eminent advisor to the CFO.

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Contact: Michael M. Laurer | mlaurer@tohmatsu.co.jp

Website: http://www.deloitte.com/jp/en/cfo