

The background of the page is a grayscale image. The top half shows a close-up of a metallic surface with a curved, ribbed texture. The bottom half is a solid black area containing the title and subtitle. The bottom-most section shows a close-up of a metallic surface with a grid of small, circular perforations.

ACCOUNTANTS FOR BUSINESS

# The value creation model for business: 2010 and beyond

The theme of the 18th World Congress of Accountants, organised by the Malaysian Institute of Accountants and the International Federation of Accountants, is Accountants: Sustaining Value Creation.

This report shares ACCA's insights on how professional accountants will help organisations create and sustain value in the global economy beyond 2010. It has been specifically produced to coincide with the World Congress of Accountants.

## Foreword by ACCA

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As the global body for professional accountants, the future of the finance professional and the changing role of the accountant is something that ACCA monitors and explores continuously. From our inception we have been opening up the profession and challenging the conventional view of what it means to be a professional accountant.

In this report we sought the views of business leaders across the world to obtain their insights and unique perspectives on the role of the professional accountant beyond 2010 in helping their businesses create and sustain value. Over 500 business leaders across nine countries responded to our survey covering all sectors and sizes of organisation. The report brings together ACCA's ongoing review of the role of the accountant in value creation as part of its Accountants for Business programme.

Our programme has shown that the opportunities in the next decade for the global accountancy profession are significant. Across all sectors, in all types of organisations, professional accountants will be at the heart of value creation, bringing their unique skills and talents to help businesses deliver enhanced performance. In this highly complex, global business environment, there will be even greater calls from stakeholders for transparency over the performance of organisations, and greater scrutiny over their commitment to social and environmental goals. The decade presents a golden age for finance professionals as trusted advisers to lead the business community and strengthen the global economy through their integrity and professionalism.

I wish to pass on ACCA's appreciation to the Malaysian Institute of Accountants for selecting this highly appropriate theme of sustaining value creation for the 18th World Congress of Accountants, working closely with the International Federation of Accountants. This report shares our insights into how this will be achieved. I am delighted to be able to share this with you.

A handwritten signature in black ink, appearing to read 'Helen Brand'.

**Helen Brand**  
Chief executive, ACCA

[www.accaglobal.com/accountants\\_business](http://www.accaglobal.com/accountants_business)

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## About this report

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This report presents insights from business leaders around the world on the value that professional accountants bring to their organisations. These findings are presented in the context of a broader commentary on how finance professionals will support organisations to create and sustain value beyond 2010. This report is part of ACCA's programme on the theme of Accountants for Business. Find out more at [www.accaglobal.com/accountants\\_business](http://www.accaglobal.com/accountants_business)

As primary users and employers of professional accountants, the business leaders in this survey have provided ACCA with unique insights into their perspectives on the value that professional accountants bring to their businesses. The survey asked business leaders their thoughts on the future role of accountants in their organisation, whether they considered the influence of accountants to be greater in the wake of the global economic crisis, and what they saw as the key skills finance professionals would need to best support their organisations in delivering superior business performance and creating value beyond 2010.

The report considers the contribution accountants make in three areas as part of a cycle of value creation (see chart 1).

First, we look at how employers can best source value through **people**, recognising the skills that professional accountants bring and considering the interventions businesses need to make to harness these.

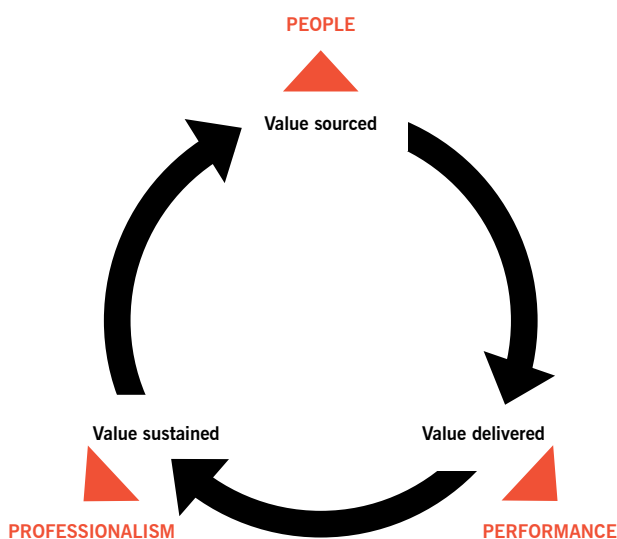
Second, through **performance**, we consider the application of these skills and capabilities in the roles that professional accountants perform to help their organisations deliver value.

Third, through **professionalism**, we recognise the accountant's role in helping organisations sustain value for the long term, and their role in the development of the global economy.

ACCA would like to thank all the business leaders who took the time to share their views as part of this report.

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CHART 1: THE PROFESSIONAL ACCOUNTANT AND THE VALUE CYCLE



The economic crisis gave professional accountants renewed status and influence across organisations, and heightened visibility of their role in sustaining the financial stability of organisations and the broader economy. The crisis placed the role of finance professionals as integral to business survival and value preservation, and as a key ally to the CEO. Our survey with business leaders, and our broader research programme – Accountants for Business – demonstrates a recognition of the vital role professional accountants will play in helping organisations create and sustain value beyond 2010, and highlights a number of emerging key themes in that journey.

### VALUE SOURCED

#### THE INCREASING IMPORTANCE OF THE PROFESSIONAL ACCOUNTANT IN 2010 AND BEYOND

There is an increased recognition from business leaders in all sectors and sizes of organisations of the growing influence of the finance professional across their organisation. Over half of respondents (55%) to our survey indicated that the role of finance professionals had become more important since the global economic crisis, suggesting renewed visibility and responsibility across the organisation. Reflecting this, ACCA<sup>1</sup> has previously identified the increasing number of stakeholder relationships that finance professionals have both internal and external to the organisation. Increasingly we see the remit of finance professionals in many sectors expanding, reaching across a broader range of internal and external stakeholders; this is particularly true of finance leaders and the CFO.

In this survey, almost half of all business leaders suggested that professional accountants are now 'highly essential' in helping their businesses create value. We see a number of mega trends driving this development: an increasingly competitive business environment and more complexity are creating a need from businesses for greater insight from finance professionals in strategy and decision making, more complexity is creating greater risk which will drive further regulation, and there is more scrutiny over the performance of organisations. In all these areas the professional accountant has a significant role to play as we move beyond 2010.

#### A NEW EMPHASIS ON FINANCE TALENT STRATEGIES

As recognition of the vital role of accountants continues to grow, beyond 2010 we expect to see a new emphasis placed by organisations on how they source and develop the skills and capabilities of their finance employees. We see a new emphasis placed on recruiting and retaining the best finance talent across the profession, with employers competing to recruit finance talent across regions or specific economies, across specialised finance areas, or within specific niche sectors. A recent ACCA study confirms talent management will become more important beyond 2010<sup>2</sup>. These developments will reflect trends in the global economy; recent ACCA research<sup>3</sup> outlines a longer-term shift to more fluid, flexible 'federations' of businesses, a 'flatter, more global and multi-centred model'; the number of smaller and medium-sized enterprises will increase and we expect larger organisations to develop multiple hubs, stretching their finance operations more equally across different regions in the world, shifting finance activities geographically across their value chains, and recruiting finance staff aligned to this. This new emphasis on the importance of talent will also reflect imbalances in the supply and demand of skilled accountants in certain jurisdictions.

#### A DRIVE FOR TRANSFORMATIONAL LEARNING STRATEGIES

There will be further recognition of the importance of learning interventions businesses need to make to develop the skills and capabilities of their finance employees; here we expect

to see organisations increasingly embracing emerging technologies to leverage scalability, reduce costs, and help delivery across finance teams increasingly based in multiple locations. E-learning delivery will evolve to become more collaborative through shared environments. We expect other learning interventions such as coaching and mentoring to become more popular, and a re-emphasis on experiential learning as part of 'blended' approaches to training interventions. Businesses are likely to place more reliance on career development and developing their career propositions for finance professionals to aid more effective retention. The career development proposition, according to recent ACCA research<sup>4</sup>, will become critically important in attracting and retaining the youngest generation in the profession.

### VALUE DELIVERED

#### A STRATEGIC ROLE FOR FINANCE LEADERS IN VALUE CREATION

Increasingly business leaders see finance leaders playing a critically important role in driving the strategy of an organisation forward to create value; almost half of respondents to our survey (46%) suggested that the role of the finance leader in strategy was 'critically' important, with just over 10% suggesting the role would remain limited.

Strategic business skills were identified by business leaders as the second most important skill for finance professionals to acquire; business strategy and leadership expertise was also identified as the fourth highest area of expertise that will be of most value in the near

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1 Collaborative working: why relationships matter in finance, ACCA 2010

2 Talent management in 2010: foundations for growth, ACCA 2010

3 Where next for the global economy? A view of the world in 2030, ACCA 2010

4 Generation Y: realising the potential, ACCA 2010



future. These findings are consistent with previous ACCA research<sup>5</sup> of CFOs, with three in four of those surveyed suggesting they were working closely with business units in strategic planning, and two in three indicating they were more involved in the creation of medium and long-term corporate strategy. In this report we show finance leaders continuing to balance their traditional responsibilities of stewardship and control of the organisation with a growing voice in the strategic direction of the organisation.

One way in which this strategic role will play out is through finance leaders shaping and directing the finance operating model. We expect more finance leaders and organisations to pursue new opportunities in finance business partnering to drive greater insight and financial analysis across the organisation, though previous ACCA research<sup>6</sup> suggests significant challenges in this area remain. In seeking to reduce operating costs, and to bring in expertise, it is likely that further outsourcing and offshoring of finance transactional activity and activities further up the finance value chain may also take place. Restructuring of finance operations in this manner may well take place across both the private and public sector.

### THE RISE OF THE FINANCE SPECIALIST

Business leaders can broadly see a growing need for their organisations to employ more finance specialists in the future to create value. More business complexity, new business models and business growth in new markets will present new legal and regulatory issues, and a higher risk operating environment. 45% of business leaders suggested that it was 'quite likely' their organisation would employ more finance specialists, with 26% suggesting this was very likely.

Financial analysis was the key area of expertise identified by business leaders in our survey as being of most value in the future, followed by risk management.

Business analysis skills were also identified by business leaders as the most important skills for finance professionals to master. Both financial analysis and risk management specialisms have been identified in previous ACCA research<sup>7</sup> as key growth areas.

In financial analysis there are evolving trends to bring more effective decision support to organisations, more emphasis placed on areas such as analytics and scenario analysis to gain better insight on the future performance of the organisation, and to shape different strategic options. ACCA research<sup>8</sup> points to a number of challenges with prevailing approaches to risk management, and sees an increasingly influential role for professional accountants in delivering more effective risk management solutions. The rise of the finance specialist is also a reflection of the increasing diversification of advice accounting firms are now imparting to clients. A rising audit threshold in many jurisdictions is leading smaller firms to offer new areas of specialist advice outside of traditional areas to help drive business improvement and create value.

### VALUE SUSTAINED

#### THE ACCOUNTANT AS A GUARDIAN OF INTEGRITY

In helping organisations sustain the value they create, business leaders see finance professionals taking a leading role in helping improve ethical standards across the organisation. Over half of respondents (58%) suggested finance professionals would have a more important role in the future, with 12% suggesting it would be 'much more' important. As we move beyond 2010 there is a need for greater confidence and transparency in the way businesses are run; the appropriate values and ethics of organisations will be seen as key to underpinning the success of the global financial system. Business leaders identified ethics and professionalism as the fifth most important area of expertise that will be of most value in the future.

This report outlines the broader role professional accountants will have as standard bearers for integrity across organisation, and the critical role they will play in business ethics across the global economy.

### A NEW ROLE IN SUSTAINABILITY

There is increasing recognition across business leaders of a heightened role for professional accountants in sustainability and CSR issues. Over half of business leaders (56%) expect finance professionals in helping their organisation respond to these developments to be involved to 'a much greater extent'. This reflects a growing need for stakeholders to understand the broader performance of the organisation, and the current limitations with financial reporting in fully explaining an organisation's value. A recent ACCA report<sup>9</sup> confirms that over 3,000 companies will issue sustainability or corporate responsibility reports in 2010. The youngest generation in the finance profession today also recognise the importance of an organisation's CSR record, rating it an important consideration in choosing to work for an organisation<sup>10</sup>. In this report, we expand on the increasing role finance professionals are likely to play in developing and implementing frameworks to collect, measure and report on sustainability information stakeholders require as part of wider trends in integrated reporting.

### GREATER OVERSIGHT IN A NEW ERA

In response to the economic crisis, the finance professional beyond 2010 is likely to continue to play a key role in supporting organisations to meet increasing regulatory requirements, for example in matters relating to tax or statutory reporting requirements. Reflecting the needs of stakeholders, investors and markets there will be a renewed emphasis on ensuring appropriate oversight and supervision across the profession, and a significant role to play for some accountants in the development of more effective regulation, promoting principles-based approaches

<sup>5</sup> *The CFO's new environment*, ACCA and CFO Research Services 2009

<sup>6</sup> *Accountants for Business*, ACCA 2009

<sup>7</sup> *Accountants for Business*, ACCA 2009

<sup>8</sup> *Risk and reward: tempering the pursuit of profit*, ACCA 2009

<sup>9</sup> *The rise of the report and the regulator*, ACCA 2010

<sup>10</sup> *Generation Y: realising the potential*, ACCA 2010

which drive insight, relevance and contextualisation for businesses and their stakeholders.

### **A RESTATEMENT OF THE AUDITOR'S VALUE**

We believe the profession needs to restate the value of the auditor in helping businesses sustain value creation. In light of the role of auditors in the financial crisis, a recent ACCA report<sup>11</sup> concludes that the audit model is not broken but that new approaches to auditing larger entities could be developed to ensure a broader view of the organisation's financial position and performance can be obtained by all stakeholders, for example through assessing the effectiveness of governance processes, and testing the business model. Other research from ACCA<sup>12</sup> commissioned by the Singaporean regulator, ACRA, reconfirms the benefits that the auditing process and audit professionals bring to businesses in helping sustain value, for example, bringing an independent perspective on the financial viability of the organisation and identifying weakness in internal controls.

### **A MORE VISIBLE ROLE IN THE DEVELOPMENT OF THE GLOBAL ECONOMY**

As the global economy returns to growth, we will see the growing influence of professional accountants in all economies, and particularly in emerging markets. They will help create the infrastructure and develop regulatory mechanisms and codes of governance that engender sustainable, responsible business practices. They will bring about more effective audit and assurance practices, and help organisations manage their risks more effectively. They will bring greater transparency and consistency to organisational reporting, thereby encouraging inward investment into markets, and playing a vital role in helping organisations access capital. They will work across other key stakeholders such as governments, regulators, bankers and business owners to provide the necessary information and oversight that is a prerequisite for sustaining value. They will contribute significantly to the development of the educational infrastructure to equip the next generation with the skills and professional integrity that is always required for long-term wealth creation. Through their professionalism, they will be the standard bearers for integrity across organisations and the global economy; serving the public interest, helping restore stakeholder confidence, and ensuring long-term sustainable wealth creation.

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<sup>11</sup> *Restating the value of audit*, ACCA 2010

<sup>12</sup> *The value of audit: views from audit committee chairmen*, ACCA 2010



# LEADERS' INSIGHTS

## Leaders' insights

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### US

'The bottom line is always the bottom line – money. The earlier and more frequent the involvement of finance expertise, the more likely the chance for success in new or expanding ventures.'

'We expect finance professionals to be valuable contributors to our overall success due to their understanding of our total financial picture/situation.'

'Having recently restructured debt, the finance team has been critical in helping us reduce debt and function more efficiently while helping to maintain brand confidence.'

### UK

'Finance professionals bring a clear and logical way of looking at business opportunities, to ensure that decisions taken are in line with long-term value creation goals. They also bring structure and discipline to debate.'

'Unless you can understand all the financial implications of your decision making you are taking unwarranted risks with shareholders' funds.'

'Finance professionals can understand a lot of the key business drivers and help other managers deliver on complex issues. They will keep an eye on risk management and standards of operation.'

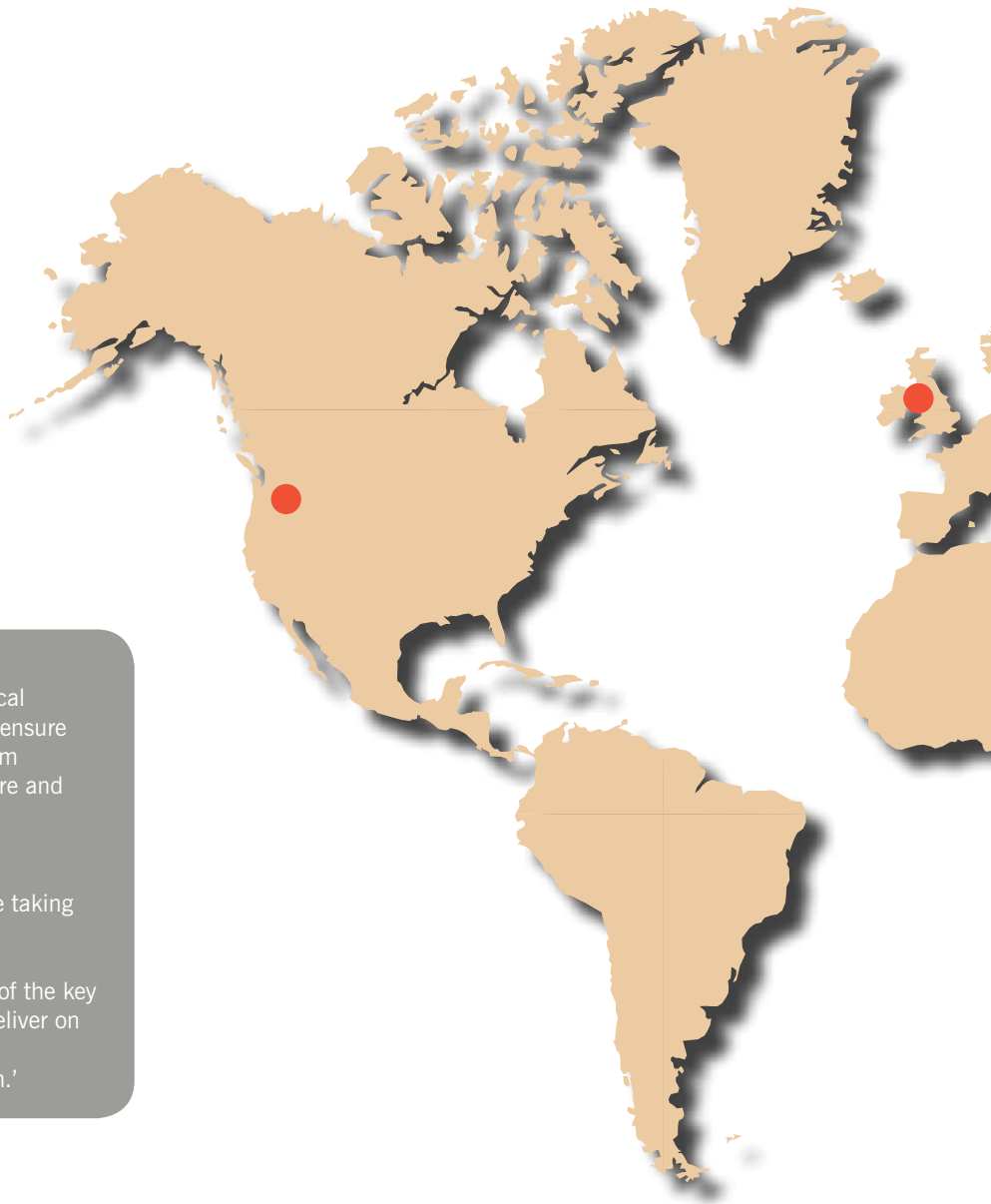
### POLAND

'Entrusting the company's financial management to a person or team with the relevant skills is essential these days in this time of crisis. Finance specialists will help the company make important financial decisions in difficult situations.'

'Finance professionals have a key role to play in building an image of the organisation as a place where ethical rules are followed.'

### SOUTH AFRICA

'Finance professionals must be able to assist the company with the right strategic decisions that promote the brand and reputation of our company and at the same time manage the finances to gain more revenue but in an ethical way.'





#### CHINA

'The finance department is a core function of a company; the calibre and ethics of people working in the department as well as their professional standards are of critical importance.'

'Finance is at the heart of a company.'

#### MALAYSIA

'Finance professionals are key to providing a professional risk analysis of the company.'

'Finance professionals are vital because they can look at the growth potential from different angles and from a wider perspective.'

#### SINGAPORE

'Finance professionals functioning in the broader role will help us formulate and chart the mid- to long-term financial strategies of the business. They will also help my business make more informed decisions and develop better policies with regards to corporate governance and accountability.'

#### UAE

'By engaging finance professionals in a broader partner role we will be able to extend our customer interface, improving our connectivity with our clients, and gain better protection over our business.'

'We need finance professionals who brings in different clients and investors to the table – people who can create strong business ideas which are financially sound.'

#### INDIA

'Finance professionals are vital in providing analysis for the strategic direction the business has to take, and understanding the implications for all stakeholders.'

'Today's finance professional must be customer centric, rather than a number cruncher sitting in their ivory tower. They need to be the cornerstone of sound investor relations and stakeholder value.'

# Introduction

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## A GOLDEN AGE FOR THE PROFESSION

Prior to 2008, there was growing recognition of the important role finance professionals could play in supporting organisations to create wealth, precipitated by two primary drivers: the growing complexity of businesses as a result of globalisation, and increased governance and regulation.

Finance professionals were extending their levels of influence across the global business community, across all sizes of organisations from owner-managed business to multinational corporations, and across all sectors and geographies. The number of professional accountants in the world has been steadily growing; there are now 159 professional accountancy bodies representing 2.5 million accountants in 124 countries who are members of the International Federation of Accountants<sup>13</sup>.

For many professional accountants, the effect of the economic crisis was to rebalance and refocus their roles. The crisis gave finance professionals and business advisers renewed arbitrage and influence across organisations. Business leaders across all sectors and sizes of organisations were turning to their finance counterparts in all areas, tasking them with financial survival of the organisation. The environment provided the validation finance leaders sought for streamlining and reconfiguring business operations. It placed the role of finance professionals as integral and central to business survival and value creation... it presented a golden age for finance professionals in all sectors.

## THE ENVIRONMENT BEYOND 2010

As we step beyond 2010, organisations will explore innovative ways to create value. Unlike the period prior to the economic downturn, economic momentum alone is unlikely to help organisations drive value creation – ACCA's most recent survey on the global

## INCREASINGLY THE VALUE OF AN ORGANISATION IS DRIVEN BY BROADER, INTANGIBLE FACTORS.

economy<sup>14</sup> presents a less optimistic picture. The global economic recovery appears to have stalled, and almost half of all members responding to the survey (49%) believe economic conditions are stagnating or deteriorating.

Looking further over the horizon, the economic outlook is more complex and uncertain. The mega trend of a rebalancing of power between west to east is set to continue, however this hides a much more complex and dynamic reality; the growing maturity yet glaring regionalisation of the BRIC countries, the multiplicity of global, regional, and national economic and trading developments where some countries and regions begin to compete on innovation and knowledge because of diminishing cost advantages; fast changing technologies; the fragmentation of customer bases, services and products; the break up and evolution of different business models to ensure closeness to market, to reduce risk, or to respond to the global demand from a new burgeoning middle class, Generation A. It is within this complexity that finance professionals will play an increasingly important role in helping organisations create and sustain value.

## 'VALUE' EXPLAINED

Value is said to be created when a business earns revenue (a return on capital) that exceeds its expenses (the cost of capital). This definition has its limitations. In the public sector, value is usually equated in terms of service improvements and increased value for money, and the definition has limitations in fully explaining a listed organisations' market capitalisation and movements in its share price. Increasingly, the 'value' of an organisation is driven by broader, intangible factors – the reputation of its

brand, its influence in the marketplace, and of course the talents, skills and innovation of its employees. Different businesses create value in different ways. They operate in different industries, in different markets, they offer different products and services and have different customers. They have different competitive advantages and unique selling points, different cost structures and different operating margins; their value chains are different.

Further dynamics are worth acknowledgement. The business cycle has a significant influence on how finance professionals help their organisations create value. The refocus of priorities of many finance leaders and finance functions during the economic crisis is testament to the fact that prevailing economic conditions provide a shape as to where businesses need most help from their finance teams because the economic environment defines the activities of the business at any given time in both a proactive and reactive way.

The maturity of an organisation also has a big influence on the finance skills required; there is a continuous need for different finance skills at different times. Growth may be achieved organically, or through acquisition in order to penetrate new markets, supply new products and services or to reshape the supply chain. As businesses mature they may seek new funding, become listed, have shareholders, and need to comply with regulation in all sorts of areas. At the end of the business lifecycle, accountants and finance professionals will also have important roles to play. All of these developments shape the roles of professional accountants, and the skills they need to bring.

## THE FINANCIAL CRISIS REPRIORITISED AND REFOCUSED THE ROLES OF FINANCE PROFESSIONALS ACROSS ALL SECTORS.

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<sup>13</sup> IFAC website, IFAC 2010

<sup>14</sup> Global economic conditions survey report: Q3, ACCA 2010

## A VIEW FROM BUSINESS LEADERS

Many surveys assessing trends and developments across the finance profession seek to understand perspectives from the point of view of professional accountants themselves. With this survey, ACCA chose instead to obtain insights and observations from business leaders, including chief executive officers, chief operating officers, presidents and vice presidents, chairmen and Board members and other senior representatives of business. These observations provide a unique view on the role of the finance professionals in the context of the wider business issues and challenges organisations have faced over the past 18 months, as well as giving a broad indication of the expectations businesses have on their finance employees in the future.

In many respects, business leaders are the primary users of professional accountants, and arguably are best placed to assess the value they bring. They also have an acute understanding of their businesses, and how accountants in their organisation can best assist their organisations in maximising value beyond 2010.

The report presents these insights by considering the value creation cycle. It presents an outline of the contribution professional accountants will make to organisations and the broader economy beyond 2010 in three key areas: it emphasises the role that employers play in sourcing value by harnessing the skills of accountants as **people** through learning interventions (value sourced); it considers the roles and duties that professional accountants undertake in all sectors to help organisations and businesses deliver value, and to drive great organisation **performance** (value delivered); and it showcases the role of accountants as sustainers of value creation through their **professionalism** – outlining their responsible roles as protectors of the reputation of the organisation, and their critical role in the wider economy (value sustained).





# PEOPLE

the role of employers in  
sourcing value

**The skills that professional accountants bring to organisations are a significant source of value creation. Businesses and their leaders wish to understand how their investment in developing the capabilities of their finance employees is most effective – a reflection of the growing importance of professional accountants in helping businesses achieve their goals. Our survey of business leaders clearly shows a growing recognition of the importance of professional accountants.**

### THE INCREASING IMPORTANCE OF THE PROFESSIONAL ACCOUNTANT IN 2010 AND BEYOND

There are a number of broader, macro influences behind this development. Increasing globalisation and the interdependence of the world's markets is driving increased business complexity, greater competition, and more regulation. There are new business models emerging, organisations have more interdependent supply chains, product lifecycles are becoming shorter, there is increased speed of access to market required by organisations.

Businesses are increasingly serving multiple segmented customer groups, and new forms of regulation are emerging to countenance increased risks faced by organisations. In all of these areas, professional accountants will help businesses cut through this complexity, support more effective decision making, and help them in meeting their legal and regulatory responsibilities.

Almost half of all business leaders suggested that professional accountants were now 'highly essential' in helping their businesses create value (see chart 2). This is clear recognition of the important role professional accountants are now playing across all businesses.

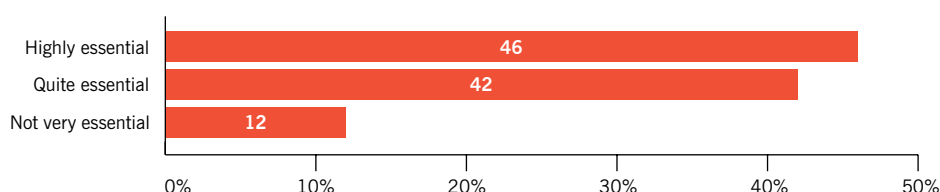
There is a growing recognition from business leaders in all sectors and sizes of organisations of the growing influence of the finance professional across their organisation. Over half of respondents (55%) to our survey indicated that the role of finance professionals had become more important since the global economic crisis (see chart 3), suggesting renewed visibility and responsibility across the organisation. ACCA<sup>15</sup> has previously identified the increasing number of stakeholder relationships that finance professionals have both internal and external to the organisation. Increasingly, we see the remit of finance professionals in many sectors expanding, reaching across a broader range of internal and external stakeholders. This is particularly true of finance leaders and the CFO.

### A NEW EMPHASIS ON FINANCE TALENT STRATEGIES

In sourcing the finance skills businesses need, and in recognition of the growing contribution and value professional accountants bring to organisations, over the past few years we have seen a talent war emerge for the brightest and best finance talent. Recent ACCA research<sup>16</sup> confirms the multiple benefits of talent programmes – developing key finance staff, addressing skill shortages, assisting in succession planning for the most senior finance roles, developing high potential employees, and producing the future finance leaders of the organisation.

### THE ROLE OF THE FINANCE PROFESSIONAL HAS BECOME MORE IMPORTANT SINCE THE ECONOMIC CRISIS.

**CHART 2: THE IMPORTANCE OF THE ROLE OF FINANCE PROFESSIONALS IN HELPING BUSINESSES CREATE VALUE**



<sup>15</sup> Collaborative working: why relationships matter in finance, ACCA 2010

<sup>16</sup> Talent management in 2010: foundations for growth, ACCA 2010

## RECENT ACCA RESEARCH CONFIRMS THE MULTIPLE BENEFITS OF TALENT MANAGEMENT PROGRAMMES FOR FINANCE STAFF – DEVELOPING KEY STAFF, ADDRESSING SKILL SHORTAGES, ASSISTING IN SUCCESSION PLANNING, DEVELOPING HIGH POTENTIAL EMPLOYEES, AND PRODUCING THE FUTURE FINANCE LEADERS OF THE ORGANISATION.

The sentiments expressed by business leaders suggest a new emphasis placed on recruiting and retaining the best finance talent across the profession in the future. At one level, organisations may seek to develop their very top finance talent across different parts of the business and around the world to provide necessary breadth of exposure and experience, but at another level, for other businesses, competition for finance talent will start to take place regionally, or within major economic hubs to reflect the changing dynamics of the global economy as recently reported in ACCA's report<sup>17</sup> on developments in the global economy. There will be increasing numbers of small and medium-sized enterprises serving local markets, larger corporate organisations developing multiple hubs and business centres spread more geographically with finance activities dispersed, new markets being explored for offshoring and outsourcing for the purposes of cost, scale and quality, and growing gaps in some markets between the supply and demand for

finance professionals with the right skills. Talent wars will increasingly take place across specific industries, sectors or specialisms as diversification increases.

ACCA's recent report suggests organisations continue to face significant challenges in implementing effective talent strategies for finance professionals they employ. The report confirms that the profession increasingly recognises the importance of talent management in helping businesses create value, and a broad sense that such practices are more important in the aftermath of the economic crisis. However, less than a

fifth of organisations are operating fully integrated programmes – the consensus is that most talent strategies operate in isolation, are ran informally and are not delivering the intended benefits. The consequence is sub-optimal investment in people. These findings should be a source of concern for organisations and business leaders.

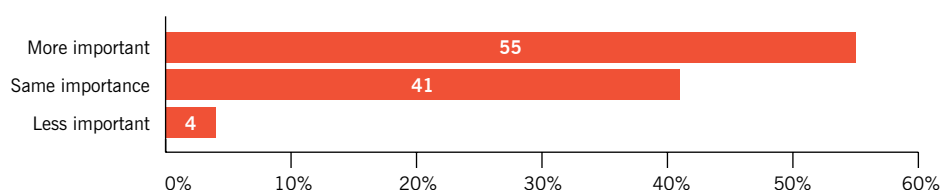
### A DRIVE FOR TRANSFORMATIONAL LEARNING STRATEGIES

At the heart of transforming the skills of finance professionals across the organisation is the learning strategy of the organisation – the quality of training interventions an organisation makes is key to harnessing the capabilities required. In developing this strategy, businesses need a framework for identifying these capabilities.

Many leading organisations establish competency frameworks which reflect the technical, business and behavioural competencies required in every finance role and at each level. The frameworks provide a blueprint of the finance skills

**IN THE FUTURE, THE WAR FOR TALENT ACROSS THE FINANCE PROFESSION IS UNLIKELY SIMPLY TO PLAY OUT AS A 'GLOBAL TALENT WAR'. IT WILL BE MULTIDIMENSIONAL, OPERATING AT GLOBAL, REGIONAL AND NATIONAL LEVELS, INCREASINGLY ON AN INDUSTRY OR SPECIALISM BASIS REFLECTING DEVELOPMENTS IN THE GLOBAL ECONOMY.**

**CHART 3: THE IMPORTANCE OF THE ROLE OF FINANCE PROFESSIONALS SINCE THE GLOBAL ECONOMIC CRISIS**



<sup>17</sup> Where next for the global economy? A view of the world in 2030, ACCA 2010

## THE MOST FORWARD-THINKING EMPLOYERS WILL EMBRACE NEW TECHNOLOGIES TO DELIVER THEIR LEARNING OFFERINGS, ACHIEVING SCALABILITY, COST AND ACCESSIBILITY BENEFITS.

their organisation requires and how these skills are expected to be delivered, aligned to the values of the organisation. They bring together the roles of finance professionals with the needs of the organisation, and provide a roadmap for the finance skills needed to deliver the organisation's strategy.

Through the performance management system, businesses can assess whether or not these competencies are being shown, providing a window on the learning and training interventions required to enhance capabilities. They have a multitude of other uses too. They are a source for identifying where the organisation has critical missing roles, or where finance knowledge gaps present high risks. They are a reference point for strategic workforce planning across the organisation in finance. And they are a highly valuable tool for succession planning as well as a framework for career planning which helps with the development and retention of finance staff.

After 2010, the pace of change will be greater in terms of learning content, learning methodologies and learning technologies. Emerging technology and how organisations use this for scalability, cost and accessibility purposes will be critical to successful delivery. Learning content is already evolving away from being 'instructor pushed'. For example, e-learning delivered through Virtual Learning Environments (VLEs) has typically been structured around courses, timetables and testing. Instead, we expect new learning offerings to be much more about shared experiences for finance professionals.

The journey to 'collaborative' e-learning practices will mark the next stage of developments in e-learning. In the future we would expect organisations to offer finance professionals greater numbers of 'immersive' training programmes; the use of virtual classrooms in real time, enable users to communicate through audio so as to share experience using live applications. A number of accounting tuition providers have already started to offer such services, delivering professional qualification training in virtual settings. These learning technologies represent a win-win for all stakeholders, particularly because of scalability and reduced costs. They are particularly useful for finance students who do not have sufficient access to training infrastructure on the ground, in the market. They are environmentally friendly – virtual world education is inexpensive and practical.

**'I THINK OUR FINANCE PEOPLE SHOULD RECEIVE MORE TRAINING AND LEARN MORE FROM OTHER COMPANIES. THEY NEED TO LEARN FROM PARTICIPATION IN PROFESSIONAL TRAINING, AND LEARN FROM THEIR EXPERIENCED PREDECESSORS.'**

**ACCA RESEARCH CONSISTENTLY DEMONSTRATES THE VALUE OF EXPERIENTIAL LEARNING.**

In creating an effective learning strategy, organisations will adopt increasingly blended approaches to learning delivery. We expect new types of interventions to gain further traction and support. For example, ACCA research<sup>18</sup> consistently highlights the value of coaching and mentoring across the profession, but its application is currently not widespread, and where practiced, it is ineffectively used. We expect the value of experiential learning to take increased prominence beyond 2010, such as action learning, secondments and job rotation, shadowing and stretch assignments where employers seek to put individuals into roles which will stretch their capabilities, perhaps one or two roles vertically ahead on the career trajectory.

Recent ACCA research<sup>19</sup> highlighted in particular the value of experiential learning as the key to the development of finance professionals. It gives finance professionals the knowledge and skills needed, and when planned in a formal, structured way, it underpins career paths and facilitates a two-way learning process – with finance professionals being both exporters and importers of knowledge across the business, experiential learning has a key role to play in building greater financial management capacity in the organisation, and extending the financial knowledge and understanding of non-accountants.

In formalising their learning strategies for finance professionals, some organisations have started to develop finance academies to deliver a range of training interventions. They provide a mechanism for ensuring the learning interventions provided to finance staff are planned systematically, and help

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<sup>18</sup> Talent management: foundations for growth, ACCA 2010

<sup>19</sup> Generation Y: realising the potential, ACCA 2010

**'MASSIVE EXTERNAL FORCES ARE CREATING A NEED FOR CHANGE, TO DEVELOP, AND, MOST IMPORTANTLY, UPSKILL IN THE FINANCE AREA.'**

ensure a consistent standard of learning across the organisation. They also helps frame the learning offering as part of the organisation's wider performance management process by linking learning interventions to career pathways and job role planning. They provide a systematic approach to sourcing and leveraging the skills of professional accountants to drive value.

In practice, there are some challenges for employers of finance professionals in executing their learning strategies which should be recognised. In many businesses, teams of finance professionals will be increasingly part of multi-disciplinary teams, drawn from different functions or geographies of the organisation. Traditional functional delineation of organisations may evolve so that teams of finance professionals are more often structured around project initiatives cross functionally.

Globalisation is likely to result in the greater mobility of finance professionals, reflecting the needs of business to facilitate knowledge transfer across its employee base to support new market development, to understand new business, legal and regulatory contexts of other jurisdictions, but also as a consequence of individual aspirations pursuing new career opportunities in different markets. An ACCA study<sup>20</sup> has previously suggested that half of finance professionals would like to pursue a career in another country at some point.

For some organisations, we may increasingly see tiered structures, where entry-level finance roles (perhaps reflecting offshored business structures), only exist in certain markets with recruitment in other markets only taking place at more senior levels. We are likely to see more virtual teams and evolving patterns of work as technological developments free up the need to be present in one geographic base, more part-time working, job sharing, job rotation, greater cultural variation and a multitude of different business scenarios and work assignments that accountants engage in.

**EMPLOYERS WILL FACE A MULTITUDE OF CHALLENGES IN DEVELOPING THEIR LEARNING OFFERING FOR FINANCE PROFESSIONALS IN THE FUTURE. THE INCREASINGLY DIVERSE MAKE-UP OF FINANCE TEAMS – ROLES, CULTURES, EDUCATIONAL BACKGROUNDS, DIFFERENT GENERATIONS, DISPERSED GEOGRAPHIES PRESENTS A UNIQUE CHALLENGE IN DELIVERING A TRANSFORMATIONAL LEARNING STRATEGY FOR FINANCE.**

<sup>20</sup> A changing profession: the evolution of accounting roles, skills and career aspirations, ACCA 2007

## CASE STUDY

### RSM Tenon, UK

RSM Tenon is one of the most progressive and entrepreneurial professional services firms in the UK, with leadership in the provision of risk management, tax, recovery, financial management and business advisory services.

We are the UK (excluding Northern Ireland) member of RSM International, the 6th largest global accounting network of independent firms, represented by over 30,000 people working in over 700 offices across more than 70 countries worldwide.

**Alex Shacklock, associate director of the RSM Tenon Academy, explains how the firm's performance management process and learning and development interventions help to inspire staff, maximise their potential and improve services for clients.**

#### PEOPLE AS A SOURCE OF VALUE CREATION

RSM Tenon is a business that rightly recognises the critical importance of finance professionals. The skills and expertise that they bring to the organisation is central in delivering superior services to our clients. The success of our organisation is dependent on the capabilities and knowledge of our people. So, for us as a business, it's important we understand which skills and capabilities are needed by our teams and individuals so we can help develop them in the most effective way.

One of the key inputs to ensuring any business effectively develops its staff is a competence framework which brings together the technical, business, behavioural and personal attributes and values required. RSM Tenon is a constantly evolving business and we continually look to review and develop our competency framework to ensure that it remains relevant and reflects the skills needed by our teams, across all disciplines. We recognise the critical importance of establishing a robust framework which is aligned to the overall strategy of the business, as well as reflecting the culture and values of the organisation.

The competence framework directly supports the wider performance management process, which is the broader frame for people development at RSM Tenon. All our people have a twice-yearly formal performance and development review session (supported by regular informal interventions). The key aim of this process is to ensure that our people can measure their contribution against set SMART objectives, and to provide a transparent record of how they are performing against expected competence levels. It's also a crucial process for enabling the right discussions to take place with an individual regarding their future development so that training programmes and learning interventions can be developed to best support the individual in building their skills and capabilities. In effect, the performance management process is vital because it maps out on a macro level where as a business we need to develop the skills of our people further.

The development of our people is not seen in isolation. While we invest in developing the potential of our people this helps create higher-performing teams and helps the business achieve its objectives. It is a leading factor in keeping our people engaged with the business which in turn helps with staff retention.

#### THE ACADEMY

The RSM Tenon Academy is the 'umbrella' which covers the full range of learning and development interventions within the business. It has provided technical training and personal and skills development to thousands of our people. We want to ensure that our people become the best they can be and add value to our business and our clients – therefore our programmes and solutions are mapped against a learning and development roadmap for all our people. This framework is linked to our competency framework and is relevant at every level through to the most senior directors in the business.

In simple terms, the Academy learning and development programmes have two broad goals – to ensure that our people have the right skills and experience for their current role, and to help them fulfil longer-term career aspirations. Technical acumen is a baseline requirement for our teams of finance professionals, but the focus of our Academy is much broader and ambitious. We want to help our people achieve their potential. We point them towards where we think they can go but it is up to each employee to decide their own career objectives and where they see themselves positioned in the business.

This focus on career development is critically important. In our experience, our people want to understand how they can develop their careers and how we can support them in this process. But, ultimately, they have to take ownership for their own development. As a business we want people to realise their career aspirations for themselves absolutely, but also because it increases engagement and retention which means that we are getting a great return on investment.

We have a significant breadth of training courses available covering business, personal and technical skills. Our client facing programmes increase the ability of our people, across all service lines, to provide the best possible advice to our clients. Personal Excellence programmes operate at several different levels, providing essential management, leadership, communication and strategic skills. More importantly, they help you to understand yourself, your motivations, your barriers and your attitude. Furthermore, our skills-based workshops supplement our structured development programmes, ensuring that learning is embedded. Technical training courses are provided both through the RSM Tenon Academy and through individual service lines.



## CASE STUDY

### RSM Tenon, UK (continued)

Learning and development courses are only one of the interventions we use. At RSM Tenon, we also recognise the importance of other interventions. Experiential learning is critically important at all levels, particularly for our more junior staff as we seek to give them broad exposure to new challenges along their career path, developing both their technical know-how and the broader business skills increasingly required with our clients.

We promote coaching and mentoring schemes established to offer more 'one on one' development, recognising the wealth of experience and knowledge we have in the business. We also offer other types of professional development, such as e-learning. This blended approach to learning ensures we have sufficient opportunities to use the development activity most likely to be successful in developing the competence required.

#### HOT FINANCE SKILLS

The training we provide – and the skills we look for – reflects the changing needs of our clients. Some skills are growing in importance. Traditional performance diagnosis – looking at the historical financial data of a business is still useful. But being able to relate this information to current and future trading is becoming vitally important.

As the economy emerges from recession, clients are taking stock of their business and examining systems and business processes. They want to assess, for example, whether their systems are generating enough quality financial information to allow them to assess the real performance of their organisations effectively and to help them make decisions. The downturn has encouraged businesses to review their efficiency and the role finance staff can play in boosting productivity and adding value. Finance staff are also taking a much more strategic role within businesses. In response to all of this, our Academy is placing an even greater emphasis on advisory skills. Clients are demanding an all-round business adviser. This fits very well with our business model as advisers to entrepreneurs.

#### BOARDROOM BACKING

The Academy reports into the senior management team at RSM Tenon and enjoys a close working relationship with those leading the business. We understand the strategy and key business objectives and plan our people development strategy accordingly. For a concept like the Academy to be successful, this commitment from senior management is vital. Our senior teams provide personal commitment and 'buy-in' as well as investing financially.

#### MEASURING SUCCESS

Feedback from our people has been consistently very positive since we launched the Academy. However, the real proof of success is in the actions undertaken by delegates and the tangible results that these bring. For example, a course on sales training may boost the

confidence of finance professionals in winning new work. But, if results in business development improve and positive feedback is received from a prospective client on the delegate's communication and advisory skills then we know that our course has had real impact.

Results are not always instant. We view a course as the first step. Delegates are required to plan actions and we monitor their progress against the plan alongside line management.

Additionally, some of our senior people have provided their own testimonials about how much the Academy interventions have helped them progress. This positive feedback is very important as much of what the Academy does is about empowering people, fostering a positive attitude, and encouraging them to do things a bit differently. It's about developing a 'can do' culture, and equipping our people with the skills and capabilities they need to deliver.

## CASE STUDY

### Rolls-Royce, UK

**Rolls-Royce, a world-leading provider of power systems and services for use on land, at sea and in the air, has established a strong position in global markets – civil aerospace, defence aerospace, marine and energy.**

As a result of this strategy, Rolls-Royce today has a broad customer base comprising more than 600 airlines, 4,000 corporate and utility aircraft and helicopter operators, 160 armed forces, more than 2,000 marine customers, including 70 navies, and energy customers in nearly 120 countries, with an installed base of 54,000 gas turbines.

Rolls-Royce employs over 38,000 skilled people in offices, manufacturing and service facilities in 50 countries. The group has a strong commitment to apprentice and graduate recruitment, and to further developing employee skills.

In 2009, Rolls-Royce invested £864m on research and development, two-thirds of which had the objective of further improving the environmental aspects of its products, in particular the reduction of emissions.

Annual underlying revenues were £10.1bn in 2009, of which about half came from services revenues. The firm and announced order book stood at £58.3bn at 31 December 2009, providing visibility of future levels of activity

**John McLafferty is head of professional development for finance. Here he explains why finance professionals at Rolls-Royce matter, and how the organisation leverages the talents and skills of its accountants**

#### WHY FINANCE PEOPLE MATTER

Rolls-Royce is an organisation with a considerable brand reputation around the world, and our success is due to the quality of the people we employ and the skills that they bring. We see the finance function as critical to achieving the wider aims of the organisation, and it's the skills and talents that our finance professionals bring which are significant contributors to the performance of the organisation.

During the economic downturn, we saw the true value that finance professionals bring to our business. We implemented a global 'spend control' programme across the organisation to bring even greater transparency over how the business committed to and authorised expenditure, and the different categories of expenditure taking place; last year the business underspent in its cost base. In partnership with the business we also reinvigorated a 'unit cost initiative', driving efficiencies in the supply chain and our purchasing base. Over the past 18 months the focus of our finance teams has been on a number of key areas: ensuring accuracy over transaction processing, determining sufficiency of working capital and in particular cash flow, financial planning, process standardisation, delivering effective finance IT systems, and an emerging business partnering role.

These developments are part of a wider finance transformation journey that Rolls-Royce is currently engaged in which operates across four key areas which are interdependent and of equal value in supporting our business: the establishment of shared service finance transaction support operations continually simplifying and standardising activities, the continuing operation of corporate centres of excellence such as treasury and tax operations, business partnering in the business to provide the business finance insight and decision support

needed by the organisation, and a business support centre which provides the operational support to the business partnering roles.

#### VITAL SKILLS IN THE CURRENT ENVIRONMENT

In recognition of these developments there are a number of skills that we deem critical for finance professionals to have at the moment. We are operating in a constantly changing environment, so change management and project management skills are highly useful. We also want to ensure our finance professionals have a very good understanding of the global business and its value chain, that they are good at strategic planning and have well-rounded partnering skills such as communicating, influencing and negotiating skills to make a significant difference to our business. Understanding the organisation's priorities and having clear knowledge of how we deploy the business plans in practice are also important priorities at the moment. Strong technical skills are of course always a prerequisite. As part of this transformation journey, we also increasingly see a need to employ finance professionals with highly specialised skills, particularly in the areas of tax, risk management and governance to ensure we are able to respond to emerging regulation effectively, and to ensure the business's risks are adequately managed.

#### CAREER DEVELOPMENT FOR FINANCE

At Rolls-Royce we have established a finance professional development framework which brings together the competencies and skills that we expect our finance professionals to perform at different levels in different finance roles across the organisation. This links through to the performance appraisal process that takes place annually with a formal mid-year review, setting objectives for all our finance staff, outlining the competencies we expect them to demonstrate in achieving these objectives.

## CASE STUDY

### Rolls-Royce, UK (continued)

This process forms the basis for identifying the training needs of individuals across the finance community, and is a key basis for identifying the career development needs of our finance professionals so we can better support them on their career journeys.

Supporting the broader finance professional development framework we have a talent programme in place for all finance professionals who are deemed to be 'high potential' as a result of the performance appraisal process. This ensures we are able to develop the future leaders in finance for tomorrow. The talent management programme is structured around a number of 'cells' that operate on a regional basis, so that we ensure we can develop the future finance talent in all key geographic areas of our business. It also operates at several different levels of seniority, effectively cascading up to the most senior finance roles in the organisation. Another feature is mentoring, where individuals are encouraged to seek out senior experienced finance managers who contribute to the learning and development process of less experienced and more junior colleagues.

#### DRIVING FINANCE CAPABILITIES THROUGH THE LEARNING OFFERING

The learning and development interventions that we undertake are critical in driving the capabilities we want in our finance professionals. For graduates embarking on a finance career we offer a 'finance leadership development programme' which provides a stretching five-year programme. In that time we support them in obtaining a professional accountancy qualification complemented by giving them breadth of experience across key finance areas in the business. At Rolls-Royce we believe that experiential learning is critical to developing the wider experiences and skills that finance professionals increasingly need in our business, and across the wider profession. Secondments and job rotations are vital in giving our finance employees career development opportunities and using the skills they bring in different parts of the finance function.

We have a well-established face-to-face course delivery programme called 'financial skills' to ensure our finance professionals receive the necessary technical training for their roles, but also the much broader business skills and capabilities required such as leadership attributes and being able to be a successful business partner across the organisation. These face-to-face interventions are supported by a broad e-learning offering and we are continuously exploring new learning interventions, such as virtual learning, or coaching and mentoring interventions to support the overall development of our finance community and to ensure they have the skills and capabilities required in their roles.

#### ENGAGEMENT MATTERS

We recognise the importance of effective engagement. We spend considerable time, resource and money on developing our finance people, and want to ensure that we get sufficient return on this investment. For us, poor retention costs money and means return on training is diminished. To ensure our learning interventions and career development support remain valued, we regularly track the levels of engagement of finance staff across the organisation. We have also established specific metrics around recruitment success, the effectiveness of different training interventions, retention levels to gain a broad picture of how engaged our finance staff are, and how effective our internal processes are in recruiting, developing and retaining the finance skills and capabilities we need in our organisation.



# PERFORMANCE

the role of professional  
accountants in creating  
value

In helping organisations drive superior business performance and create value, our research with business leaders shows that professional accountants will fulfil a wide variety of roles, with high levels of responsibility. As we move beyond 2010, the professional accountant will play an essential role in value creation.

### A STRATEGIC ROLE FOR FINANCE LEADERS IN VALUE CREATION

There is increasing evidence that many finance professionals will undertake a broader role in the organisation, providing the necessary oversight and leadership across organisations operating in complex, fragmented, and increasingly regulated environments. Our survey suggests business leaders see finance leaders as having an increasingly important role to play in driving the organisation's strategy forward to create value with 46% saying finance leaders would play a critically important role (see chart 4). Strategic business skills were also identified by business leaders as the second most important skill for finance professionals to acquire, and business strategy and leadership expertise was identified by business leaders as the 4th highest area of expertise that will be of most value in the near future.

**'THE CFO PLAYS A MAJOR ROLE IN DEVELOPING NEW BUSINESS, DEALING WITH CORPORATE CLIENTS AND SUSTAINING OUR CURRENT BUSINESS RELATIONSHIPS.'**

### THE KEY FOCUS FOR MANY FINANCE LEADERS IS ASSISTING THE ORGANISATION IN SHAPING ITS STRATEGY

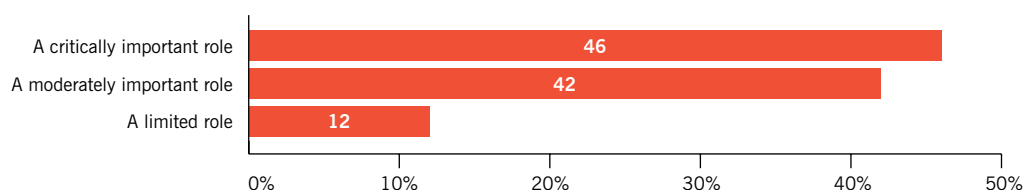
Gone are the days when the finance person was just a number cruncher. Today, he or she is a critical component to the success of the business from a strategic standpoint. The CFO needs to evangelise ethics and integrity, and be sensitive to the fact that he or she plays a key role in customer service – both internal and external.

These findings are supported by other studies. A recent study<sup>21</sup> highlights the 'unprecedented demand for the CFO's unique perspective and discipline' in the current environment, and yet again sets out a role with broadening remit and responsibility. In particular, the study sees the CFO as a key strategist, becoming much more heavily involved in key aspects of organisational strategy, while simultaneously balancing the needs of the business post-credit crunch to keep close control of finance operations in the business. Cost management, risk management, cashflow and controls are all areas said to be dominating the CFO's priority list.

The report also cites a growing role for finance directors and CFOs in managing the public face of the company and being the guardian of the brand. These findings resonate elsewhere; another recent study<sup>22</sup> also highlights an expanding remit for finance leaders outside their core finance responsibilities, including providing inputs to strategy. These findings are also confirmed by a study undertaken between ACCA and CFO research services<sup>23</sup> in the height of the global economic crisis. Seventy-five per cent of CFOs surveyed indicated they were working closely with business units in strategic planning, and two-thirds suggested they were more involved in the creation of medium and long-term corporate strategy.

Moving beyond 2010, organisations in all sectors will increasingly need broader-based finance business managers and leaders, a reflection of the growing influence of finance functions and the increasingly multidisciplinary roles that they fill. In today's environment, finance professionals and finance leaders are well placed to act as the guardian of

CHART 4: THE ROLE OF FINANCE LEADERS IN ORGANISATION STRATEGY



<sup>21</sup> The DNA of the CFO, Ernst & Young 2010

<sup>22</sup> The global CFO study, IBM 2010

<sup>23</sup> The CFO's new environment, ACCA and CFO Research Services 2009



**'FINANCE PROFESSIONALS FUNCTIONING IN A BROADER ROLE WILL HELP US FORMULATE AND CHART THE MID TO LONG-TERM FINANCIAL STRATEGIES OF THE ORGANISATION. THEY WILL ALSO HELP MY BUSINESS MAKE INFORMED DECISIONS AND DEVELOP BETTER POLICIES WITH REGARDS TO CORPORATE GOVERNANCE AND RESPONSIBILITY.'**

the brand internally, and externally, and they are the major interface between key stakeholders and the business. In listed organisations, the finance function has primary responsibility to the shareholders of the organisation, yet its influence and remit now extends well beyond this stakeholder group. It continues to work with its traditional partners, such as tax authorities, its auditors, government regulators, investment authorities, pension advisers and the banks, yet its remit is continuously expanding into other stakeholders such as corporate and social responsibility groups, property consultants and asset management groups, management consultancy organisations, suppliers, customers, logistics partners, and so on.

An increasing involvement in the strategic decision making of organisations is also seen where accountants are advisers to smaller organisations. Already one-third of ACCA members are involved in providing financial advice to small businesses (defined as fewer than 50 employees) in some capacity<sup>24</sup>. Smaller businesses will employ more accountants, and more finance professionals will become owner managers of these organisations in the future, or working in small businesses where they are responsible for not only managing all the finances of the

## THE INFLUENCE OF THE FINANCE FUNCTION CONTINUES TO GROW OUTSIDE OF ITS TRADITIONAL PARTNER BASE.

organisation, but getting involved in wider business matters too. Finance professionals employed in businesses represent over half of all professionally qualified accountants in the global economy<sup>25</sup>.

One of the key areas we expect finance leaders to be playing a critical role in driving organisations' strategy is through shaping new business and finance structures to reduce operating costs, improve processing efficiencies, to capitalise on the growth and developments in emerging economies and reposition finance operations closer to the business. In the corporate sector we would expect finance leaders to continue to explore new opportunities in 'business partnering', where finance analysts are embedded in the commercial arms of the business to gain greater commercial insight and aid the decision-support process. However, many finance functions still lack the capacity and capabilities to fulfil this role effectively according to ACCA research<sup>26</sup>.

Finance leaders have also played an important role in the strategic development of outsourcing and offshoring finance operations is also expected to be a key part of the evolution of business partnering models and the value creation landscape in finance. Often, the decision to outsource certain finance operations may be taken to reduce costs, but it also means the organisation is typically able to buy in best practice and leading-edge skills from experts in transaction processing – saving time, money, and resources, and, of course, reduces capital investment in infrastructure and processes, as well as bringing flexibility to operations if contracts are appropriately constructed. It also enables the organisation and its finance professionals to concentrate on the activities of most importance to

the organisation, and those processes and operations which are most likely to create value. Whether finance leaders of smaller organisations will also choose to outsource certain finance operations remains questionable. Transition costs, including reconfiguration of internal processes to match the requirements of the provider are typically high.

We may also expect to see finance leaders in the public sector increasingly shaping finance delivery models to drive efficiencies and reduce costs. We see public sector organisations working in partnership with the private sector, either through traditional contract relationships where the delivery of services is carried out by one organisation on behalf of another, or under more collaborative arrangements where responsibility for and delivery of outcomes is shared<sup>27</sup>. In the UK, these have come under the banner of PPP (Public Private Partnerships) or in some cases PPI (Public Private Initiatives), where capital investment is made by the private sector in the project. There have also been examples of reconfiguration of finance processes, particularly with moves to outsource or place into shared service centre certain finance activities as

**'FINANCE BUSINESS PARTNERS ARE MORE STRATEGIC AND WILL TAKE FINANCE TO THE NEXT LEVEL, NOT ONLY CONTROLLING AND MANAGING FINANCE BUT PROACTIVELY DRIVING KEY DECISIONS, STRATEGY AND FUTURE FORECASTING.'**

<sup>24</sup> *Living up to expectations*, ACCA 2010

<sup>25</sup> IFAC exposure draft, May 2010

<sup>26</sup> *Accountants for Business*, ACCA 2009

<sup>27</sup> *ACCA setting high professional accountancy standards for public services around the world*, ACCA 2010

**BEYOND 2010 WE EXPECT TO SEE MORE OUTSOURCING AS ORGANISATIONS CONTINUE TO SEEK EFFICIENCIES IN COSTS, AND MORE EFFECTIVE PRACTICES IN FINANCE ACTIVITIES. WE MAY SEE A MORE COMPLEX PATTERN OF OFFSHORED, NEARSHORED, AND ONSHORED OUTSOURCED FINANCE OPERATIONS. THE FINANCE PROFESSIONAL AS A STRATEGIST WILL HAVE A KEY ROLE TO PLAY IN SHAPING THESE DEVELOPMENTS.**

part of the ongoing drive for value for money. In the public sector, finance professionals have had, and will continue to have, a key role to play in shaping the business model and operating processes to drive efficiencies and create value, bringing a wider range of business skills such as project management, change management, influencing and negotiation skills to complement depth and breadth of technical knowledge.

#### THE RISE OF FINANCE SPECIALISTS

We also expect to see a significant counter trend developing – the growing need for organisations to recruit for deeper, highly specialised finance roles because of further regulation and compliance demands on organisations; already many organisations employ accountants specifically to respond to company legislation; disclosure rules for listed companies, financial reporting standards, internal control requirements,

anti-bribery and anti-money laundering controls, codes of practice on corporate governance, legislation relating to wider social objectives and so on<sup>28</sup>.

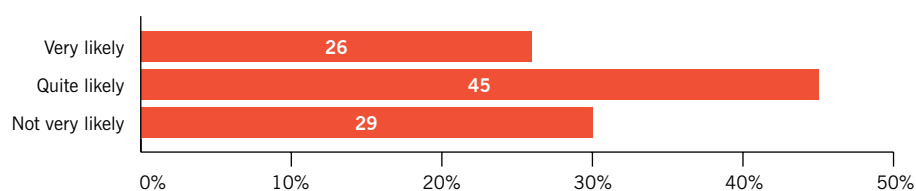
Greater business complexity, more fragmented business models and modes of operation presenting new legal and regulatory issues, and more complex financial reporting and financial management challenges will drive specialisms. Increasingly, organisations may seek to employ audit and tax specialists with particular expertise in specific industries or areas that reflect both the increasing complexity of organisations and the implications of their multiple locations and fragmented value chains, or they will seek to buy in such services from advisory firms who themselves are likely to see further specialisation in their service lines to reflect the changing needs of their clients.

These challenges are recognised by the business leaders who responded to our survey. Generally they see a likelihood for their organisations to require specialised finance roles across their organisations in the future (see chart 5).

Significant variations were identified across country respondents (see table 1). In China, almost 70% of business leaders considered it 'very likely' that they would need to employ more finance professionals who were specialist accountants, compared to Poland, where only 8% indicated a similar sentiment.

**'FINANCE SPECIALISTS WILL HELP THE COMPANY MAKE IMPORTANT FINANCIAL DECISIONS IN EMERGENCY SITUATIONS.'**

CHART 5: THE LIKELIHOOD OF NEEDING TO EMPLOY MORE FINANCE SPECIALISTS IN THE FUTURE



<sup>28</sup> Risk and reward: tempering the pursuit of profit, ACCA 2010

**TABLE 1: IN THE FUTURE DO YOU BELIEVE THAT YOUR ORGANISATION WILL NEED TO EMPLOY MORE FINANCE PROFESSIONALS WHO ARE SPECIALIST ACCOUNTANTS?**

	UK	US	POLAND	CHINA	INDIA	UAE	MALAYSIA	SOUTH AFRICA	SINGAPORE
Not very likely	45%	44%	30%	6%	29%	26%	16%	50%	21%
Quite likely	38%	38%	62%	26%	49%	55%	57%	20%	52%
Very likely	17%	18%	8%	68%	22%	19%	27%	30%	27%

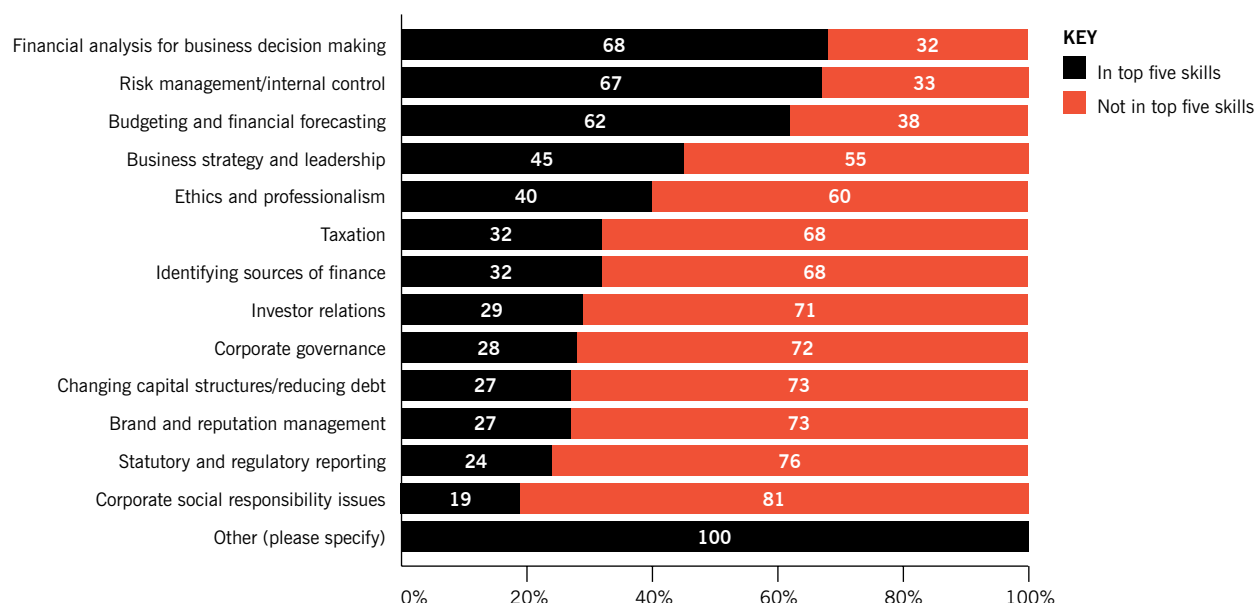
How do these findings play out in particular sectors? In the public sector, recent ACCA research<sup>29</sup> suggests there will be a number of specialised priorities in the near term – improving budgeting, planning and financial forecasting processes, gaining greater transparency over the cost base, and prioritisation of expenditure areas, reviewing for synergies and cost savings, and driving value for money initiatives. We also expect to see more effort made on improving governance structures, ensuring effective controls and risk management practices.

In the public sector these processes are complex, particularly where hybrid public and private sector structures predominate. In the corporate sector, research undertaken by ACCA at the end of 2009<sup>30</sup>, as part of its Accountants for Business programme, identified financial management and analysis as key areas in which accountants were helping their organisations to create value.

These findings are validated by the results of our survey of business leaders.

Financial insight and analysis into the organisation was identified by business leaders as the most valued area of expertise in their organisations presently (see chart 6). Business analysis skills were also identified by business leaders as the most important skills for finance professionals to master (see chart 7). This is clear reflection of the increasing complexity of business operations and the need for accountants to bring greater financial understanding to the implications of business decisions.

**CHART 6: THE AREAS OF EXPERTISE THAT WILL BE OF MOST VALUE, ACCORDING TO BUSINESS LEADERS**



29 ACCA setting high professional accountancy standards for public services around the world, ACCA 2010

30 Accountants for Business, ACCA 2009

**'WITHIN MY ORGANISATION, THE FINANCE SPECIALIST HAS A CRITICAL PART TO PLAY IN IDENTIFYING RELEVANT MANAGEMENT INFORMATION, AND INFLUENCING THE BUSINESS TO ACT ON THAT INFORMATION.'**

Complexity, and the fall out from the economic crisis is also driving a refocus on risk management and internal control, as business leaders seek assurance from their finance counterparts on the ability of the organisations to manage and mitigate its risks effectively.

Budgeting and financial forecasting was identified by finance leaders as the third most important priority; this is in part a legacy from the economic downturn – ACCA research conducted at the end of 2009<sup>31</sup> identified the success of financial planning and forecasting as key to supporting the organisation in uncertain

trading conditions. It is also a reflection on the need to balance retrospective reporting across organisations, and future forecasting as outlined in previous ACCA research<sup>32</sup>. Businesses spend considerable time and resource reporting retrospectively on the organisation, yet business leaders need access to high-quality information on the future so they can prepare properly and take the appropriate decisions. In response we have seen a growing role of finance

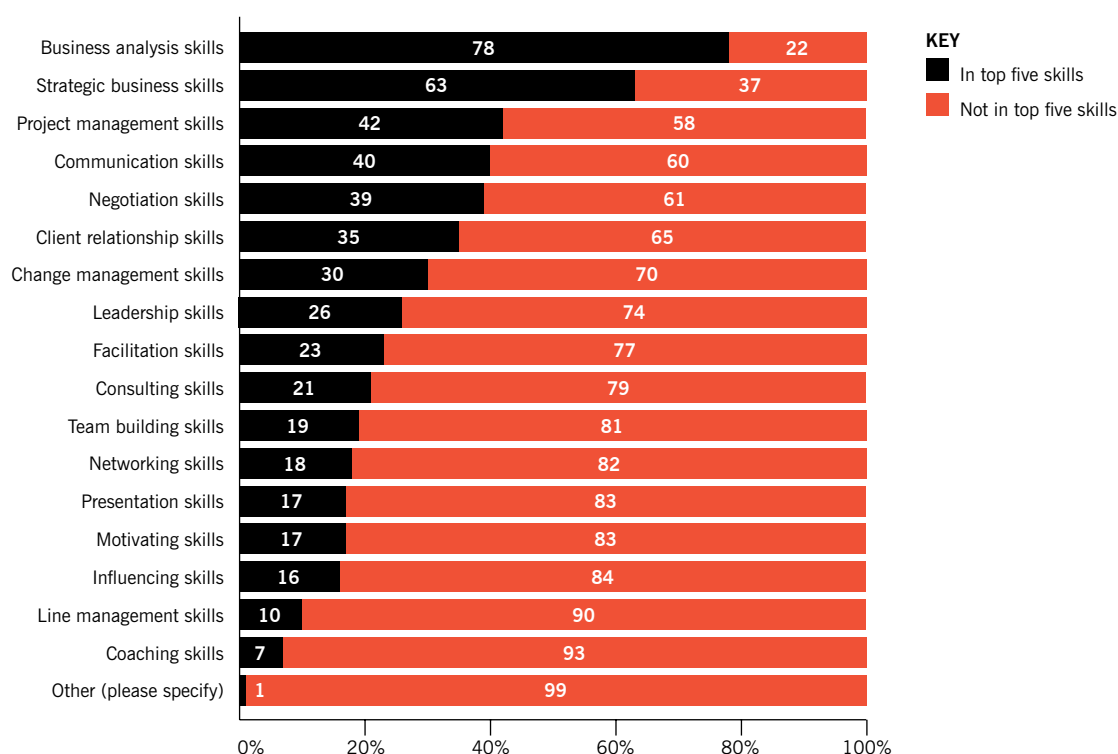
professionals using more sophisticated analytics, predictive accounting and scenario analysis to test and predict how various business scenarios may play out, and to inform the decision-making process.

**'FINANCE IS AT THE HEART OF THE COMPANY.'**

Financial analysis and risk management have also been identified as priority areas across small to medium-sized businesses. Increasingly, the SME sector makes up a greater proportion of organisations in the global economy; the SME sector will be the engine for global recovery, creating jobs and investing for growth, so the role of the

**FINANCIAL ANALYSIS WAS IDENTIFIED BY BUSINESS LEADERS AS THE MOST-VALUED AREA OF EXPERTISE.**

**CHART 7: KEY SKILLS FINANCE PROFESSIONALS NEED TO DEMONSTRATE – SKILLS IN TOP FIVE**



<sup>31</sup> *Accountants for Business*, ACCA 2009

<sup>32</sup> *In pursuit of sustainable business*, ACCA 2010

## EFFECTIVE RISK MANAGEMENT PRACTICES SUPPORT SUSTAINING VALUE CREATION FOR THE LONG TERM.

accountant in these organisations is of critical importance in helping create and drive value. A recent study<sup>33</sup> conducted by the Economist Intelligence Unit in collaboration with ACCA, CGA – Canada and CPA Australia shows that SMEs continue to grow in spite of the downturn and even with access to finance for SMEs being reduced. The report also identified that SMEs were postponing investments in order to preserve cash, but they were optimistic about growth prospects in 2010. These findings are supported by a recent survey by ACCA and the CBI (Confederation of British Industry) in the UK<sup>34</sup>. Priorities for advisers to SMEs include monitoring and forecasting cashflow for organisations, anticipating and planning financing needs, and applying for external finance and preparing relevant information. Another recent ACCA survey<sup>35</sup> highlights diligence, focus and control as a key area of focus for finance professionals, particularly in relation to improving internal controls and managing or avoiding risk.

Research by Deloitte has found a positive correlation between the effectiveness of risk, governance and controls of the organisation and their financial performance (stock returns, ROE, ROA over a seven-year period – January 2003 to December 2009)<sup>36</sup>. A separate survey also suggests that the effectiveness of risk management processes is linked to value creation because the organisation is more effective in assessing and managing its risks in relation to strategic developments such as new product developments and entering new markets<sup>37</sup>. Good risk management practices help create value. There are, however, current challenges with prevailing approaches to

risk management in many businesses. A recent ACCA<sup>38</sup> report expresses concerns that too many prevailing risk management practices failed to identify the cause of risks, rather than simply addressing the effects, with these static approaches to risk management failing to understand the complexity of risks faced. Moving forward, we see a heightened role for professional accountants in developing and delivering more effective risk practices; understanding risks in their entirety, recognising interrelationships, identifying risk causes rather than effects, and influencing the role of boards and non-executives in their risk management responsibilities. The same report<sup>39</sup> also makes clear the fundamental need for improvements to the organisational ethos and culture so risk frameworks and practices are more likely to succeed.

We also expect to see a prominent role for external specialists beyond 2010 in an increasingly diverse breath of service offerings. Finance professionals are the most widely used professional external advice body by SMEs in the global economy, and they will have an increasingly key role to play in supporting smaller businesses to improve performance and create value. As a consequence of the removal or increase in the audit threshold in many jurisdictions, many small to medium-sized practices have sought to diversify

their advice offering beyond audit, or target larger clients in the face of highly competitive challenges from larger accounting firms. These developments have been reflected in ongoing merger and acquisition activity across the small to medium-sized practice sector.

A recent report by the International Federation of Accountants<sup>40</sup>, co-authored by ACCA's Professor Robin Jarvis, suggests the SMP–SME relationships that historically have existed are becoming less linear and more complex. A continuously evolving regulatory environment, growing competition from new entrants to the marketplace and the growing capability of SMPs to offer specialist advice in other areas is changing the dynamic of the SMP service capability. There is evidence that small to medium-sized practices are increasingly extending their remit into areas such as strategic advice, HR, computer audit, valuations, company law, pension advice, budgeting, and marketing. We may see some smaller practices increasingly specialise and concentrate in one or two specific niche areas, or offer a broader service, potentially outsourcing specific specialist areas to third parties. These findings are validated by independent work ACCA has commissioned on small businesses and the role of advisors<sup>41</sup>. In supporting better business performance, and helping create value across organisations, finance professionals as advisors to small businesses are advising on an increasingly wide range of issues outside of normal financial areas such as quality and customer service, marketing and

**THE ROLE OF PROFESSIONAL ACCOUNTANTS IN SMALL AND MEDIUM-SIZED ENTERPRISES IS LIKELY TO EVOLVE DUE TO RISING AUDIT THRESHOLDS, COMPETITIVE PRESSURES, NEW REGULATION AND GROWING CAPABILITIES FOR SERVICE DIVERSIFICATION.**

33 Towards the recovery, challenges and opportunities facing Asia's SMEs, EIU 2009

34 *Small business finance and recovery*, ACCA and the CBI, 2010

35 *Living up to expectations*, ACCA 2010

36 *Risk and reward: tempering the pursuit of profit*, ACCA 2010

37 Risk intelligence in the energy and resources industry, Deloitte 2010

38 *Risk and reward: tempering the pursuit of profit*, ACCA 2010

39 *Risk and reward: tempering the pursuit of profit*, ACCA 2010

40 *The role of small and medium practices in providing business support to SMEs*, IFAC 2010

41 *Living up to expectations*, ACCA 2010

market penetration, investments, staffing and employees, pricing, skills and training, and so on. These developments have significant implications for the skills that professional accountants will bring as external advisers working in small and medium-sized practices, and the role they play in helping organisations drive and optimise value.

The accountant working as a tax professional also has a significant role to play in helping organisations create value beyond 2010. In the aftermath of the credit crisis, many organisations have sought to adopt new tax strategies, bring in better tax planning, and strengthen their tax risk mitigation strategies. Increasingly, we will see professional accountants as tax experts involved in tax strategies relating to environmental tax measures, helping organisations understand the tax implications of actions to reduce their carbon footprint, or investment in incentive schemes, and professional accountants will continue to advise their clients on a whole measure of ongoing tax policies relating to individual tax areas within indirect tax as legislation develops.



## CASE STUDY

### The Hackett Group

The Hackett Group is a leading transformation and consultancy that enables senior executives to achieve efficient and effective business partnering capabilities for their functions. It is just one of a number of services relating to business transformation and improvement that Hackett Group offers. Our solutions are delivered by senior teams with 15 years' experience backed up by Hackett's intellectual property, gained from our empirical research and benchmarking of best practices that: guide improvements in enterprise performance management processes, organisational design and service delivery model development; design, build and implement a state-of-the-art, integrated technology solution architecture to support effective decisions and reduce management time to action; prioritise transformation efforts on delivering valuable efficiency and effectiveness benefits quickly drawing from proven best practices.

The Hackett Group is best known for the intellectual capital and empirically proven best practices. To date, The Hackett Group has supported more than 3,000 clients in their journey towards world class performance. In the past 15 years, we have worked with global organisations in delivering £60bn in sustainable cost reduction and £15bn in cashflow.

**Gilles Bonelli FCCA, EPM & A2R advisory programmes director for Europe, at The Hackett Group, discusses how finance professionals can use business partnering to drive performance and create value.**

#### HOW TO ACHIEVE EFFECTIVE AND EFFICIENT BUSINESS PARTNERING SERVICES.

It is probably worth defining the term finance business partnering first. Finance business partnering encompasses the high-value services focused on decision support, which high performing finance functions deliver to the broader business in order to manage risk and drive enterprise performance. Business partnering is typically associated with the role of the controlling/FP&A teams whose remit in driving value creation is twofold: first to drive optimal management decisions; second to challenge the decision makers and hold them to account for their results.

At The Hackett Group we see chief financial officers (CFOs) increasingly under pressure to provide high-value business partnering services, while at the same time reducing the overall cost of the finance function. The remit of the finance function and the role of the CFO have clearly evolved. For example, in a recent study involving in excess of 200 global businesses, The Hackett Group found that improving business forecasting capability and the integration of cash management capability between treasury controlling and operations, were among the most valuable services to be achieved in finance business partnering. Collating and verifying historical financial data is by comparison a low value adding activity. The value of finance professionals particularly in controlling/FP&A today no longer lies in producing information, instead it lies firmly in their ability to 'reduce management time to action'. Practically this means influencing the business strategy, shaping business plans, driving intervention based on business intelligence and the ability to model business performance.

At The Hackett Group, our finance professionals help our clients implement empirically proven practices to achieve efficient and effective business partnering. Our research and experience show for example that efficient business partnering can be measured by the ratio of controller/FP&A professional to budget holders and the extent to which an organisation uses shared services centres and centres of expertise to deliver the service – COEs are organisations designed to achieve the segregation of specialised related services from delivery activities to focus on developing tailored functional solutions and to support decision-making.

By contrast effectiveness measures for business partnering include, for example, the ability to forecast results with a high degree of accuracy, the extent to which management information is sourced from a single data warehouse to achieve a single view of the truth on performance, and average response times to ad-hoc requests for analyses.

Business partnering explained:

In order to create an efficient and effective business partnering capability CFOs should be able to answer six key questions.

- How should the **critical value levers (ie main business KPIs)** be impacted by business partnering?
- What is the **optimal activity split** between business partners located in the business units, centres of expertise and shared services centres?
- What change to **finance processes, tools and technology** is needed to support more effective and efficient roles as business partners?
- What are the **critical skills and competencies** that will enable a more effective business partner role?
- What specific **projects are needed to deliver benefits** and what are the costs/savings to deliver returns?
- What are the **'quick-wins' of business partnering**?

In the first stage, our finance transformation consultants and advisors help our clients answer these critical questions. The answers are used to determine the scope and priorities of any initiatives required to achieve efficient and effective business partnering given a client's situation.

## CASE STUDY

### The Hackett Group (continued)

Our finance teams also use proven methods to help our clients evolve their organisation structure in finance to achieve optimal results. We also provide teams equipped with the right insight to design and implement effective business partnering strategy, processes, systems and organisation. Any business partnering strategy must effectively support the corporate strategy. Practically this means understanding from the outset how business partnering services should drive the achievement of strategic goals, hence why business partnering services should be defined in this context.

For each strategic area of business performance, the role of business partnering should be focused on the decision makers and combine information provision, analysis, interaction with the management community to drive intervention and increasingly, the ability to innovate.

Our teams work with our clients in the following way:

First, working with executives to identify, define and standardise the key performance indicators of the business and the related information.

Second, focusing on 'decision-making' to manage risk and drive performance – is the decision-making process flawed because the planning, forecasting, reporting and analyses processes are ineffective?

Third, systems and IT – our teams help clients implement efficient and effective finance and decision support systems so that costs can be minimised and value maximised.

The breadth of skills we require in our finance professionals to support clients in developing and implementing new business partnering capability is very significant. We need rounded finance professionals, expert in driving complex finance transformation programmes with strong technical acumen and grounding, and a broad range of skills spanning finance processes, organisational design, systems and change management with proven track record in managing relationships effectively, influencing and negotiation skills, strong communication skills, knowledge and experience of best practices, and the analytical ability to understand a broad range of issues.

#### CHALLENGES IN GETTING IT RIGHT

Implementing an efficient and effective business partnering service delivery model is a demanding and multi-faceted undertaking as it requires tackling several key areas:

Service placement: transitioning low-value processes selectively to shared services centres and knowledge-centric, analytical processes and skills to centres of expertise.

Service sourcing: transferring critical knowledge to internal staff, outsourcing of commodity technology and processes, using offshoring to achieve labour arbitrage selectively.

Process design: designing enterprise performance management processes to drive strategic alignment, eg ensuring plans include measurable goals, creating integrated strategic, annual, operational plans, often transforming forecasting capabilities and embedding risk management within any business partnering process.

Information: creating the right information strategy, and using this as the basis for the information architecture (IA) design in order to drive the right system agenda; identifying common KPIs and master data definitions, rationalising business performance reporting and analysis activities. Establishing effective data stewardship and implementing the right management processes.

Systems: driving integration across the systems landscape to support business partnering effectively, and deploying appropriate enterprise data management technologies.

Skills and talent: developing the analyst's talent to achieve deep, industry-specific business processes and technology knowledge coupled with strong interpersonal, presentation, and negotiation skills.

Organisation: establishing appropriate governance to support the business partnering environment, and appointing global process and data owners for the main functional domains.

Our research shows that many finance functions need to modify their staff training in order to better equip their staff for business partnering. To really support the business through business partnering, organisations need to ensure their finance staff have the necessary finance acumen and commercial skills; they need confidence in the numbers and the seniority and mandate to challenge management. Recent research we have undertaken in this area has found a disconnect between the skills which most finance organisations develop and the skills required to support effective business partnering. For example, our research demonstrates that many organisations who take the business partnering journey place insufficient emphasis on key business partnering skills such as conflict resolution and negotiation skills. These skills are critical for finance professionals in championing the business partnering role and ensuring it delivers what it is supposed to.

CFOs should understand that achieving efficient and effective business partnering is a journey which requires their leadership, and the resources to match their level of ambition because this impacts on the scope of the services provided and the timescale within which results are expected. Often the CFO will need to work closely with other executives like the CIO (chief information officer) to ensure that the right business partnering processes are enabled by the right technology, to deliver timely, actionable information to the business partnering and management community

## CASE STUDY

### Aditya Birla Minacs, India

Aditya Birla Minacs is a leading business solutions company that partners with global corporations in the manufacturing, retail, telecom, technology, media and entertainment, banking, insurance, healthcare and public sectors. We leverage years of process, domain and technology expertise to deliver superior business value to clients with our seamless customer lifecycle, marketing, finance and accounting, procurement and IT solutions and services. 16,000 Minacs experts across three continents and 32 centres spanning Canada, Germany, Hungary, India, Jamaica, the Philippines, the UK and US power our solutions through a global delivery model that helps our clients enhance revenues, profitability and customer service.

Our finance and accounting (F&A) outsourcing arm, Aditya Birla Minacs F&A provides best-in-class, end-to-end outsourced F&A solutions driven by domain, industry and technology knowledge to several focus markets globally. These include: property, banking and financial services (including fund accounting, private equity groups), food and beverages, government contractors and airlines.

**Hitesh Dixit, vice president – FAO operations and solutions shares his insights on the role of finance professionals in outsourcing as key to value creation**

#### THE CRITICAL ROLE OF FINANCE PROFESSIONALS IN OUTSOURCED OPERATIONS IN DRIVING VALUE CREATION

Finance professionals at Aditya Birla Minacs play a critical role in value creation for our clients and in improving the performance of their organisations. We have successfully partnered with major global clients for over a decade, and we increasingly continue to do so across the F&A outsourcing industry.

Over the past three to four years, Minacs has grown its service line up the value chain, especially to work with the higher end, more complex, knowledge-intensive finance processes required by our clients. Our finance professionals are typically engaged in helping clients to drive superior business performance through the following four categories of F&A work streams.

First, traditionally outsourced finance activities and services, such as payroll, tax computations, bill services and accounts finalisation processes to provide our clients with the core financial management and discipline required in their businesses. Increasingly, our teams use online processes and submissions to help the enterprise meet compliance requirements such as VAT and PAYE. We increasingly see more and more incentive to use online channels rather than traditional paper processing and filing returns. Our business has to adapt to meet the needs of our clients to be able to provide information online and electronically, and introduce greater levels of automation by leveraging technology.

Second, we also provide services much higher up the value chain as a complete package. Many of our clients outsource all of their finance activities below the CFO level to Minacs. Hence, our teams play a crucial role in supporting the more

complex finance and controllership requirements of our clients – providing end-to-end services, such as information for internal auditors, helping produce the statutory accounts, providing the necessary support and information for the year-end audit process, delivering the month-end accounts and commentaries to show performance of the enterprise in key areas, and most critically, providing the deep insight and analysis that organisations increasingly require in their complex operating environments to take key decisions. We are involved heavily in the budgeting, planning, and forecasting processes too. Again, here we leverage technology where we can – for example using business intelligence reporting or analytics to gain a much better understanding of what the numbers mean. We use benchmarking data to compare the performance of our clients with their industry/sector average by looking at cost, margin and overhead benchmarks and analysing how these compare. We bring our deep understanding of the cost levers that drive costs and reduce margins for our clients.

Third, we are increasingly providing revenue-generating solutions to our clients. For example, we have a number of UK-based public practice organisations, who outsource their customer work directly to us, which means we remotely service their clients in traditional areas such as audit or tax. Again here we are using and leveraging technology including WebEx to provide this remote service just as effectively as face-to-face engagement.

Finally, our expert teams are increasingly helping clients to restructure their businesses and finance operations. For example, where our clients are trying to acquire or dispose of organisations within their group structure, we have been providing the necessary back office support and financial due diligence to support their strategic objectives. More generally, we partner with our clients on a very wide range of finance projects to help them grow their businesses in the most successful way.

Organisations often have misperceptions about the role of F&A outsourcing organisations and the level of service that they can provide. We very strongly believe that by approaching this question with a partnership and solutions mindset, we can offer clients expertise right across their value chain. Towards this purpose, we invest in and build the right skills in our experienced finance staff to meet our clients' needs in any part of the world.

## CASE STUDY

### Aditya Birla Minacs, India (continued)

#### HOW WE EXPECT THE ROLE OF OUR FINANCE TEAMS TO EVOLVE

When we look at how the role of people in the finance and accounting organisation will evolve in the near future, there are a number of key developments that are clearly discernible. Being able to leverage information and knowledge through cutting-edge technology is really important for us. Being able to share knowledge, and have real-time access to information is key for our business. We are convinced that it doesn't matter where you are based – if your technology is good enough, and you have the right skills and knowledge of the business, you can deliver valuable solutions for your clients. We know there are compelling reasons why clients choose us. And some of this is IT related. By choosing an outsourced provider, our clients do not need to heavily invest capital in IT infrastructure – instead they can rely on us to provide this support, which increasingly we do on a subscription basis.

It simply means that finance operations are much more flexible. This applies as much to our people as to our infrastructure – we have the greater flexibility of moving our people around across different client programmes to mirror changes in their businesses. They gain meaningful agility through partnering, and focus on the core, by truly reducing the need to go through significant upsizing or downsizing operations.

We believe the agility of finance operations and people is going to be a key trend and differentiator for enterprises in the future. The finance function has to be able to switch its focus to reflect the priorities of the business. For example, if we look at the period 2003–2006, during the global economic boom, a lot of our work helped businesses to drive performance and create value, and was delivered through activities such as helping companies raise finance, structure debt, buy other businesses and evaluate new product lines.

Our clients wanted scalable and adaptable finance support across many areas. As the downturn started in 2007, the focus of the same clients, and our focus as a consequence, changed. We were focused on helping clients identify and secure cash in the organisation, reduce debt and protect their revenues and margins. Some of our clients had experienced five-fold growth prior to the onset of the economic crisis, and then suddenly, their organisations contracted by half. So Minacs F&A's ability to bring a high degree of flexibility to their operations with our finance teams, showing that we were knowledgeable and reliable, was critical to their businesses. In fact, we were highly relevant even in the downturn for helping to continue to create value for our clients.

There are two other areas that we see our finance professionals as being key to supporting clients in driving superior performance and creating value. First, our teams play a significant role in managing their treasury operations. In a globalised business environment, the underlying operational business performance of your organisation may be very sound. However, unless the exposure to different currencies is managed effectively, this can have a significant impact on reported financial performance. We need highly trained and experienced accountants to help the global enterprise hedge its finances appropriately.

Second, all of our clients increasingly face regulatory and compliance demands. Our clients need risk management, governance and compliance support, which are absolutely crucial and in fact, we have been driving significant value in these areas. Greater business complexity is breeding more business risk. Our teams of professionals are helping businesses manage their control frameworks and mitigate risks effectively.

#### THE BOTTOM LINE

The bottom line for a business like ours is that we see ourselves as increasingly critical in helping our clients create value in many different areas. We (both our clients and Minacs) operate in a highly complex, regulated, globalised environment. As a consequence, finance professionals in organisations such as ours have a big role to play in helping businesses cut through complexity, and supporting strategic direction. We help them in their need to drive effectiveness and efficiency of finance operations, and in ensuring that the business continues to meet its compliance requirements in the most cost effective way.

# PROFESSIONALISM

the role of professional  
accountants in sustaining  
value

The globalisation of the world economy, and the multifaceted business landscape present a more challenging and riskier environment for organisations. Stakeholders require greater assurance and confidence in the market. This is why professionalism matters. Professional accountants have a critical role to play in promoting high standards of professionalism and corporate behaviour in businesses – it serves to protect the public interest, and the application of appropriate values and ethics is key to the success of our global financial system and to achieving sustainable value creation.

### THE ACCOUNTANT AS THE GUARDIAN OF INTEGRITY

According to our survey, business leaders increasingly recognise the role of professional accountants as standard bearers for integrity across the organisation. Over half of business leaders (58%) see the role of professional accountants in helping their organisation meet the highest ethical standards as becoming increasingly important in the future (see chart 8).

The finance professional beyond 2010 has a key role to play in engendering an ethical culture. It is their professional training and educational background which naturally lends itself to this cause. Ethical values are enshrined as part of the education and training process as a professional accountant. Most professional accountancy bodies, including ACCA, all have codes of ethics and conducts aligned to the IFAC standard. Our members are guided by our fundamental principles of integrity,

**'WITH THE FINANCIAL CRISIS STILL AT HAND, BOTH CLIENTS AND SHAREHOLDERS ARE LOOKING FOR MORE SAVINGS AND MORE TRANSPARENCY. THE ROLE OF FINANCE IS BECOMING MORE AND MORE IMPORTANT.'**

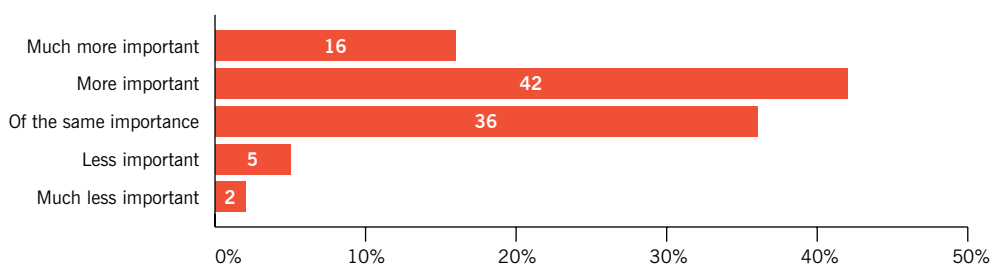
objectivity, professional competence and due care, confidentiality and professional behaviour. These are all principles which set the benchmark for appropriate behaviour and discharge of professional duties.

There are, of course, already codes of practice and principles developed by governments, industries and businesses which try to provide a framework for appropriate behaviours and values. However, a recent report by ACCA<sup>42</sup> suggests regulation, policies and codes themselves are insufficient to drive more responsible business and behaviour. Rather, such frameworks need to be enhanced by developing a much deeper culture of personal responsibility and

**'TODAY'S FINANCE PROFESSIONAL MUST BE CUSTOMER-CENTRIC RATHER THAN A NUMBER CRUNCHER SITTING IN THEIR IVORY TOWER. MOREOVER, HE OR SHE NEEDS TO EPITOMISE SOUND CORPORATE GOVERNANCE AND BE THE CORNERSTONE TO CREATE SOUND STAKEHOLDER VALUE.'**

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**CHART 8: THE ROLE OF FINANCE PROFESSIONALS IN IMPROVING AN ETHICAL CULTURE ACROSS THE ORGANISATION**



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<sup>42</sup> Risk and reward: tempering the pursuit of profit, ACCA 2010

ethical behaviour at an individual level, starting at the top of the organisation, and translating this into practical objectives and learning processes across the organisation so that employees can 'live and breath' ethical decision making. Accountants have a key role to play in making this happen. Their heightened prominence in the wake of the economic crisis gives them a unique position of influence and responsibility in shaping the ethical culture of an organisation.

### A NEW ROLE IN SUSTAINABILITY

In 2008, nearly 80% of the largest 250 companies worldwide issued sustainability or corporate responsibility reports, compared with around 50% in 2005<sup>43</sup>. In 2010, it is likely that over 3,000 companies worldwide will issue sustainability or corporate responsibility reports<sup>44</sup>. The challenge to date has been a lack of consistency over what has been reported, and how it has been measured.

As the needs of stakeholders evolve, increasingly the performance of the organisation will be assessed against much broader parameters. Current financial reporting provides an incomplete picture of the broader performance of the organisation and its reputation, and only part explains a particular organisation's market capitalisation. Accounting standards and the reporting requirements for listing do not appropriately reflect the environmental, social and governmental aspects of organisations which reflect the

ability of the business to sustain value in the long term. Stakeholders now require a much more balanced view beyond narrow reporting on financial issues.

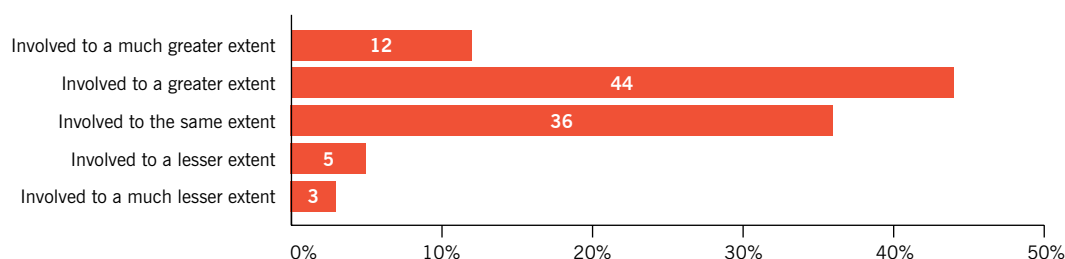
In recognition of these challenges, our survey reveals that business leaders overall see an increasingly important role for accountants in sustainability and CSR issues in the near future (see chart 9). However, we should note that over a third of respondents have not envisaged a greater involvement of the finance professional in sustainability. In ACCA's experience, sustainability reporting is best driven by finance professionals, to ensure that good practices and reporting are embedded within the organisation in the same way that traditional finance practices are. We see a need for the CFO to continue to make the case for CSR and to be a leader and champion of sustainability in their organisations.

ACCA research consistently demonstrates that business leaders and stakeholders see the value in the development of a single global standard for sustainability reporting. These needs have been the catalyst for recent moves towards Integrated Reporting. The recent establishment of the International Integrated Reporting Committee (IIRC) in August 2010, a collaboration between accounting, securities, regulatory, NGO and corporate organisations, formed by the Prince's Accounting for Sustainability Project (A4S) and the Global Reporting Initiative (GRI) is a

**'FINANCE PROFESSIONALS WILL ESTABLISH THE FRAMEWORK FOR THE ORGANISATION IN TERMS OF BUSINESS, FINANCIAL AND ETHICAL PROCESSES IN A HIGHLY VOLATILE ENVIRONMENT.'**

significant milestone. Its principal aim is to create a globally accepted framework for accounting for sustainability. The establishment of this organisation is a step forward in producing a common and clear standard which brings together reporting on social, environmental and governance information, as well as financial information in the context of the organisation's strategy and business model. There are a multitude of other, more specific developments as well aimed at improving the transparency of an organisation's performance in non financial areas; of particular note is the establishment of the Climate Disclosure Standards Boards who are shortly expected to publish the first edition of the Climate Change Reporting Framework, designed to provide a 'globally accepted framework, based on existing standards, for corporate reporting on climate change'.

CHART 9: THE ROLE OF FINANCE PROFESSIONALS IN SUSTAINABILITY AND CSR ISSUES



43 KPMG international survey of sustainability reporting, KPMG 2009

44 The rise of the report and the regulator, ACCA 2010



**THE ACCOUNTANT WILL HAVE AN INCREASINGLY CRITICAL ROLE TO PLAY IN THE BROADER SUSTAINABILITY AGENDA, BY DESIGNING AND DEVELOPING SYSTEMS THAT HELP ORGANISATIONS CAPTURE SUSTAINABILITY INFORMATION, AND BY REPORTING ON SUSTAINABILITY ISSUES IN A TRANSPARENT AND MEANINGFUL WAY. IN THIS WAY, THEY ARE CENTRAL TO SUSTAINING VALUE CREATION IN THE LONG TERM.**

We see accountants as instrumental in supporting the organisation across a wide range of sustainability issues. They will be key to developing and implementing frameworks to collect, measure and report on the wider range of sustainability information required by stakeholders as part of integrated reporting frameworks. As auditors to the organisation, they will be required to gain assurance and evidence over the organisation's policies and processes in relation to sustainability issues. Increasingly organisations will need a view on the tax implications of their sustainability strategies, and as trusted advisers to businesses, we see an important role of finance professionals as a sounding board for making decisions that have social and environmental implications. In all of these areas, the accountant has an important function in supporting businesses to meet the challenges of the sustainability agenda, while fulfilling their obligations to stakeholders to bring greater transparency and meaningfulness over an organisations performance. In doing so, they are central in providing a much fuller picture of the businesses long-term value and longevity.

**A MORE VISIBLE ROLE IN THE DEVELOPMENT OF THE GLOBAL ECONOMY**

The responsibilities of accountants in engendering professionalism and a more ethical business culture, and their role in sustainability issues plays out across the wider business community and the global economy. The role of the finance professional in emerging markets is of

particular relevance and importance in today's global economy. They help create the financial infrastructure so that individuals have confidence in the financial system, developing regulatory mechanisms and framing codes of governance so that organisations have a blueprint to follow in undertaking their business activities. They play a critical role in enhancing the effectiveness of reporting processes bringing greater transparency to the emerging economy, and they make the case for reporting in consistent and standard ways in line with commonly accepted procedures. Where a lack of transparency or confidence over the financial infrastructure of a country exists, inward investment into the economy ultimately suffers; it becomes much more difficult for businesses to raise funding and finance, more difficult to compete effectively in the global marketplace – consequently, value creation suffers. Professional accountants should (and do) bring public value by helping to develop a sustainable economy characterised by successful businesses of all sectors and sizes and their contribution to sound, ethical business practices.

The role of accountants in emerging economies is part of a much wider framework designed to secure the development of the economy. A wealth of different stakeholders such as governments, regulators, bankers, business owners and entrepreneurs all have a critical role to play in the development of markets. But it is the role of accountants in their myriad forms, as auditors, analysts, regulators,

who interact with and provide the necessary information and oversight to these different stakeholders while also supporting businesses to create and sustain wealth. Accountants are vital to sustaining this infrastructure and expertise for the long term. They will continue to play a crucial role in the educational development of the profession so that the necessary skills and capabilities of accountants in the market remain, ensuring businesses and stakeholders have access to highly skilled finance professionals. They have responsibilities to the new generation of accountants to ensure they are grounded in the highest ethical codes of conduct and standards of professionalism so that they become standard bearers of integrity for the organisations and economies they represent in the future. Value creation will not be sustained, and public interest not upheld if accountants do not play their full part in the development of the global economy.

**GREATER OVERSIGHT IN A NEW ERA**

The development of economic and capital markets has seen an explosion in the levels and breadth of regulation and financial reporting. There has been myriad different regulatory and supervisory bodies created across economies to regulate organisations. Reflecting the varying speeds of market development, and the evolving needs of stakeholders on this journey, we continue to be presented with a complex regulatory framework across countries and regions; as a general principle ACCA sees clear benefits in greater cooperation and coordination of regulatory activities at a national level<sup>45</sup>. We also seek a greater principles-based approach to regulation, and argue that a strong regulatory framework can not exist unless it is enshrined by an organisational culture which places ethics and responsible business as core to the way it operates.

The finance professional beyond 2010 has a key role to play in supporting organisations to meet their regulatory requirements. They will continue to

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45 *The future of financial regulation*, ACCA 2010

set up the appropriate frameworks and processes to capture regulatory information, and will monitor and report on a wide range of financial reporting and accounting issues in transparent and meaningful ways which drive insight, relevance, and assurance. They will have a significant role to play in promoting the benefits of principles-based approaches to regulation, and will have a growing influential voice on the extent to which current financial regulatory requirements are meeting stakeholder needs adequately (ACCA's recent report on narrative reporting<sup>46</sup>, produced in collaboration with Deloitte, is a good example of this). In supporting public confidence in the financial management and governance of organisations, some accountants will also continue to play a critical role in a public oversight capacity, continuing to report and advise on the role of auditors and their duties across the business community.

### A RESTATEMENT OF THE AUDITOR'S VALUE

Beyond 2010, we see a renewed focus of auditors in helping organisations sustain value creation. Stakeholders are interested in the financial viability of the organisation, its liquidity and cash position, how effectively it is managing its risks and where it is investing its funds; external auditors confirm that the financial statements are a true and fair reflection of the entity's financial position. To this end, the production and audit of the financial statements serves to make the business leaders accountable to the shareholders for managing the organisation properly. In discharging their duties, professional accountants as auditors are required to exercise their professional judgment in planning and undertaking audit work, and the nature of their relationships with clients.

## ACCOUNTANTS HAVE A KEY ROLE TO PLAY IN THE DEVELOPMENT OF EMERGING ECONOMIES AROUND THE WORLD, AND THE SUSTAINING OF VALUE CREATION AT A GLOBAL LEVEL.

The production of financial statements and statutory accounts, and the role finance professionals play in their audit is particularly important in sustaining value creation.

In the aftermath of the economic crisis, questions have been asked of the auditing profession and the failure of the audit process to highlight developing problems, most notably in the banking sector, where organisations failed after being given unqualified audit reports. A recent ACCA report<sup>47</sup> concludes that the audit model is not broken, but that 'the profession needs to develop approaches to larger entity audits that pay much more heed to the needs of wider stakeholders than just current and future investors, and hence meet the demands of the market'. The report goes on to suggest that this will be achieved by extending the scope of audit from 'giving an opinion of the financial statements to engaging with clients on issues such as risk management, the effectiveness of corporate governance, and testing the assumptions underlying an organisation's business model and its likely sustainability'.

A recent report from ACCA<sup>48</sup>, developed under commission by the Singapore regulators, ACRA, reveals the broader value that auditors can provide to businesses in the aftermath of the financial crisis – being an independent authority and voice with an independent perspective on the financial numbers

generated by management, helping organisations apply the reporting standards correctly, management letters outlining weaknesses in internal controls, and the general observations auditors will pass on in relation to the competence of the management's finance team. In this capacity, many of the obligations that auditors undertake are key to preserving value across the organisation.

## THE ROLE OF AUDITORS HAS BECOME INCREASINGLY SCRUTINISED IN THE WAKE OF THE ECONOMIC CRISIS. ACCA IS COMMITTED TO RECONFIRMING THE VALUE THAT AUDIT PROFESSIONALS BRING ACROSS THE BUSINESS COMMUNITY.

<sup>46</sup> *Hitting the notes, but what's the tune?* ACCA 2010

<sup>47</sup> *Restating the value of audit*, ACCA 2010

<sup>48</sup> *The value of audit: views from audit committee chairmen*

## CASE STUDY

### Ernst & Young, Pakistan

Ernst & Young Ford Rhodes Sidat Hyder is a member firm of Ernst & Young Global Limited. With its principal office in Karachi and branches in two major cities of Pakistan (Lahore and Islamabad) and one in Kabul, it has been in existence as a legally independent partnership firm registered under the Law of Partnership as applicable in Pakistan, for decades and is committed to observe Ernst & Young's global professional standards of excellence. It firmly believes and observes Ernst & Young's culture, values and conviction reflecting 'QUALITY IN EVERYTHING WE DO'. The culture being to be creative, resourceful and decisive, driven by Ernst & Young's unwavering commitment to the dictates of independence, integrity and our passion for excellence.

The leadership culture is all-pervasive throughout the firm and provides our people ample opportunities at all levels of the organisation to use their full potential to be innovative in service-delivery, pragmatic in approach and prompt in service execution.

**Mona Khan, senior manager, advisory, at Ernst & Young, Pakistan, explains the importance of professionalism and how they work with clients to maintain the highest ethical standards and meet new demands from regulators and consumer demands.**

#### WHY PROFESSIONALISM MATTERS TO OUR ORGANISATION

The financial crisis has underlined the need for strong corporate governance and ethics. We see finance professionals playing a central role in promoting business integrity in the global economy, championing sustainable business, and helping to safeguard the reputation of brands. We also see the role of finance professionals changing. In addition to the core technical skills of audit and assurance, finance professionals in our business are providing advice on governance and compliance which is providing great value to business.

In order to make sure that we provide sound advice to clients, our finance professionals receive in-depth training in business ethics and integrity. All our trainees in Pakistan undertake a three to three-and-a-half year training programme. This involves classroom, online and seminar-based training including on-the-job training along with exams. During the training period we instil a strong sense of ethics. This code of ethics includes our business approach and definitions of acceptable and unacceptable business practices.

Partners in our firm have to meet stringent ethical regulations. No work can be undertaken where there is a conflict of interest. We ensure that professional objectivity is not compromised in any way. We have our own reputation to uphold as well as the reputation of our clients, and need to be seen as independent. A lot of our business is based on relationships, and we have to be very clear on what we can and cannot do for clients from an ethical perspective. This is a fundamental cornerstone of offering a great service to our clients.

#### HOW PROFESSIONALISM SHAPES OUR CLIENT SERVICES

At Ernst & Young, Pakistan we have historically focused on delivering audit services for clients, but in more recent years we have shifted into other services, such as advisory consultancy and IT consultancy, and transaction advisory consultancy. A relatively new service that we see being in increasing demand is 'brand valuation' – the assessment of the value of a company's reputation and goodwill in the market compared to its assets. If the value of a company's brand or reputation is estimated to be worth more than the company's assets it highlights an expectation gap, which suggests that the company isn't delivering enough and may need to review its strategy. The biggest example of this trend now is consumers becoming more interested in companies' impact on the environment. Shareholders are questioning companies about their financial performance, and the link to the organisation's 'performance' in the wider marketplace. For example, some of our clients are based in rural areas, and prospective shareholders will ask what those organisations are doing in terms of supporting the local environment.

Another key client area is ethics and sustainability. We recognise these issues affect all aspects of business, from recruitment and strategy, to corporate governance and financial reporting. For example, we have developed an ethical framework of internal controls to help clients convert ethical principles into everyday practice. This is important because these concepts need to be translated into practical frameworks that organisations can deliver. We see a growing demand from our clients for 'ethical audits' where we use a best practice ethics framework to assess the client's current environment, providing practical steps to improve the culture and ethics across the organisation. We also produce reports for clients on the effectiveness of their corporate social responsibility policies. We have tools to assess a client's environmental performance and how this is explained in the company's financial reports. We help the client examine the size of their carbon footprint.

As a business we also see corporate governance and risk management as being one of the fundamental building blocks of responsible business. It's not just about compliance. It's about risk assessment and enterprise risk

## CASE STUDY

### Ernst & Young, Pakistan (continued)

management. What is the totality of risks the organisation faces? How can organisations use regulation as an opportunity to streamline business processes and make more effective assessments of business risks, whether financial, operational, political or environmental?

#### WHY PROFESSIONALISM AND ETHICS MATTER IN THE BROADER BUSINESS ENVIRONMENT

Increasingly we see the role and remit of CFOs and finance functions broadening. They are working across business with all types of different internal stakeholders, but also increasingly engaged with a diverse range of external stakeholders. Finance professionals, and CFOs in particular are often seen as the face of the business by the external environment, so it's critically important that they act with the upmost integrity and professionalism. They have a responsibility to ensure their organisations conduct business responsibly.

At Ernst & Young, Pakistan, we believe that the pursuit of profit and running businesses in ethical, professional, sustainable ways are not incompatible. In fact, sustainable business practices can be very good for the bottom line if delivered effectively. Of course, financial returns from different types of green investments can take considerable time to materialise, but a key role of finance professionals is to make the case for investment in green technologies, products and services. In Pakistan, we increasingly see consumers favouring organisations that can demonstrate a commitment to the environment. At the moment we do not have green taxes or specific green regulation, and corporate social responsibility (CSR) reporting is mainly voluntary, but in this market we expect to see finance professionals increasingly at the forefront of developing ways to identify green measures, calibrate what these are, collect information on them and report these in the most meaningful ways to stakeholders.

## CASE STUDY

### Olam International Limited, Singapore

Olam International is a leading global integrated supply chain manager and processor of agricultural products and food ingredients, sourcing 20 products with a direct presence in 64 countries and supplying them to over 10,600 customers.

With direct sourcing and processing in most major producing countries for its various products, Olam has built a global leadership position in many of its businesses, including cocoa, coffee, cashew, sesame, rice, cotton and wood products. Headquartered in Singapore and listed on the SGX-ST on February 11, 2005, Olam currently ranks among the top 40 largest listed companies in Singapore in terms of market capitalisation and is a component stock in the Straits Times Index (STI), MSCI Singapore Free, S&P Agribusiness Index and the DAX global Agribusiness Index.

Olam is the only Singapore firm to be named in the 2009 Forbes Asia Fabulous 50, an annual list of 50 big-cap and most profitable firms in the region. It is also the first and only Singapore company to be named in the 2009 lists for the Global Top Companies for Leaders and the Top Companies for Leaders in the Asia Pacific region by Hewitt Associates, the RBL Group and Fortune. More information on Olam can be found at [www.olamonline.com](http://www.olamonline.com)

**Srinivasan Venkita Padmanabhan is senior vice president and head product (finance & accounts) of Olam International Ltd and chief financial officer of Invenio Holdings Pte. Ltd. (the commodity financial services division of Olam). He shares his insights on professionalism and the accountants role in sustaining value creation.**

#### PROFESSIONALISM AND THE ACCOUNTANT'S ROLE IN SUSTAINING VALUE CREATION

At Olam, our people and the skills and talents they bring to the organisation are critical to its success and central to value creation. There are six core values that embody the way we do our business, and they have been absolutely essential in driving the success we see today. They are entrepreneurial spirit, stretch and ambition, ownership to deliver, mutual respect and teamwork, integrity, and customer and supplier focus.

The professionalism that finance experts bring to our organisation is essential in preserving the value that we create. We see finance professionals at the very heart of sustaining value creation in our business through the multiple roles that they fulfill, through controllership roles, being effective business partners to the organisations, managing our increasingly broad range of stakeholders, and ensuring we meet and comply with all statutory and regulatory responsibilities. Professional accountants bring a wealth of professionalism and integrity to our business because their training imparts an ethical disposition and excellent codes of conduct.

In the pursuit to maximise continuing shareholder value over time, we manage both the short-term as well as long-term growth of our business. We adopt a long-term view on our business relationships, and want to work in markets to bring long-term sustainable benefits to both ourselves and the partners with whom we work. This is an absolutely central business ethos for us across the 64 countries we operate in around the world. One of the most important roles our finance teams undertake is building effective relationships that enable Olam and its partners to build long-term sustainable business success together. Our finance professionals are key to building the necessary stakeholder relationships in the market with producers, governments, regulatory authorities and other vested interest parties but to be sustainable this has to be done with the highest levels of professionalism and integrity. This is why the professionalism of our finance teams matters. Our business partners reflect on us as an Olam brand, so it's important that we work with the right partners in the right manner.

#### A CRITICAL ROLE IN EMERGING MARKETS

In our emerging markets there are a number of specific relationships that finance professionals cultivate which are particularly important. They work closely with relevant tax authorities to ensure we are adhering to all the tax and regulatory implications of a particular country's jurisdiction. They also have a specific role to play with local auditors to ensure our operations are financially compliant, and of course they have very important relationships with banking partners to ensure our operations have sufficient funding and liquidity options.

#### BRINGING PROFESSIONAL SKILLS TO A BROAD RANGE OF AREAS

More generally, across all our operations one of the ways in which finance helps the organisation sustain value is by establishing policies, standard processes and regulations for many of our day-to-day operations. They are particularly skilled in mapping out and driving efficiencies in operating processes, ensuring they operate to time and on budget. We have finance teams analysing many of our core processes to see how we can extract costs or improve service delivery. For example, they have a key role to play in the logistics supply chain in ensuring we are holding optimum stock, that our buying processes are driving value for money, that our logistics processes are efficiently designed to minimise costs and ensuring sufficient supply of products out in the market.

## CASE STUDY

### Olam International Limited (continued)

They also have an important role to play in the assessment of organisations we work with. Our partners are key to our brand and reputation in the market, so we take a lot of care with the partners we choose to work with. The wrong partner may be detrimental to our brand – our finance teams undertake due diligence on prospective business partners to ensure they are credible.

There are other areas that they are involved in too to ensure our business is sustainable over the longer term – they play an important role in assessing the financing arrangements for new operations, reviewing/recommending credit limits to the risk office for their approval, and then tracking these approved limits against the actual outstanding on an ongoing basis. They are responsible for evaluating the cost benefit of specific investments in market and submitting investment proposals to the investment committee, citing the case for investment, as well as monitoring the execution of the planned investments and actual returns against the projections. They manage our currency operations, ensuring the business effectively monitors and hedges the currency risks it faces.

Finance professionals with Olam have a specific role to play in terms of the governance and risk management of our organisation. Increasingly we see managing risks as key to the preservation of value. Operating in 64 countries we face a variety of political and market risks such as the prices of goods, reputational risks, credit and counter party risks, currency risk, and so on. We have an independent internal audit function reporting to the Board level audit committee and risk management function that has oversight of all the key risks the business faces. We have established risk frameworks and protocols to measure and monitor political, economic, financial risks the business faces on a regular basis. At Olam we definitely realise that risk management has become an even greater priority since the economic downturn. We see sound risk management practices as inextricably linked to good ethics and high levels of professionalism and integrity.

#### AN EMERGING ROLE IN SUSTAINABILITY ISSUES

We are a business that takes our corporate and social responsibilities very seriously and we subscribe to the view that sustainable businesses are the only way to create long-term wealth. As an integrated agricultural supply chain business and dealing in agricultural products, there are many corporate and social responsibility implications of our business. For example, in promoting and educating the farmers, in ensuring our agricultural products are grown responsibly, ensuring we can help farmers to maximise their productivity of output without damaging the local environment, ensuring we treat our suppliers fairly, etc.

As a business we now regularly report on corporate and social responsibility issues as part of our annual report and we constantly look for better ways to capture, measure, and report on many of these issues in the future. It is key to our brand and our reputation that our record in this area is outstandingly good. Many of the major food product brands throughout the world who are our customers want products that comply with environmental and social considerations. We expect finance professionals to be playing a leading role here because of the skills they can bring in laying down processes which will ensure accurate capturing, assessing and reporting of these certifications/traceability of the produce we supply to our customers as well as maintaining a record of initiatives on corporate social responsibility issues.

#### SHAPING THE STRATEGY TO SUSTAIN VALUE

When we reflect over the past couple of years we have also seen finance professionals across Olam playing an increasingly important role in the strategy of the organisation. We have shifted our strategic focus to help increased profit margin initiatives, ways to reduce our working capital requirements, and sought out long-term funding to support our continued growth. Again, our finance teams have played a critical role in ensuring these strategies have been implemented effectively, supporting value creation and positioning the business to sustain this over the longer term.



# CONCLUSION



## Conclusion

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**The next decade presents an enormous opportunity for the finance profession. In all sectors, in all economies around the world, professional accountants will be using their skills and talents across organisations to help create and sustain long-term value. Over half of business leaders (55%) agree that the role finance professionals have to play will become more important in the aftermath of the global economic crisis. There is growing recognition of the essential role finance professionals play as part of the value creation process with 46% of business leaders citing the role of finance professionals in creating value as now ‘very essential’.**

In sourcing the skills that businesses require, we expect to see a new talent war play out, as organisations seek to source the very best finance talent across their organisations at national and regional levels, or within specific niche areas, reflecting the evolving nature of business operations, and supply and demand imbalances across geographies, sectors, and within specialist areas. There will be new opportunities for organisations to deliver engaging and effective learning interventions to develop these talents, but many challenges too, as finance teams evolve and become much more multifaceted, multidisciplinary, and as business needs change faster and new regulation emerges.

In delivering value creation, business leaders in our survey also see an increasingly important role for accountants to play in driving the organisation's strategy forward. Some finance roles will evolve with much greater breadth of responsibilities, to ensure the necessary supervision and stewardship of organisations in a complex environment – 46% of business leaders indicated they see finance leaders having a critically important role in driving the organisation's strategy forward. We can expect to see finance leaders continuing to shape operating structures and finance models to drive efficiencies and ensure finance operations are more effectively aligned to supporting the organisation.

Business leaders also see a greater need to employ more finance specialists in the future. Growing complexity and risk, and more regulation will require businesses to employ accountants with specialist skills to meet these ever-increasing challenges. Financial analysis and risk management expertise are identified by business leaders in our survey as key requirements. There will be sector-specific issues that professional accountants will need to resolve to help their organisations create and sustain value; overcoming debt in the public sector and driving more effective use of resources and bringing greater financial insight; managing the multiple needs of organisations in the private sector, from driving strategy to financial control of the entity, shaping new business models and identifying and securing access to new sources of finance; in public practice re-establishing the reputation and value of the audit process, and increasing diversification into less traditional client services.

In sustaining value creation, even higher standards of professionalism will be required of professional accountants – there will be increased scrutiny over the performance of companies and how they operate. There will be a global demand for a new business order, based on sound ethical principles, moral leadership and professional standards. The majority of business leaders (58%) cited that

they believe the role of the finance professional in helping the organisation meet the highest ethical standards was more important since the global economic crisis, and 56% believe finance professionals will be more involved in sustainability and CSR issues within the organisation over the next five years.

Stakeholders will increasingly rely on the accountant as the trusted adviser, and it is here that finance professionals will be fulfilling their core responsibilities in serving the public interest. They will play a vital role in returning investor confidence in the market. They will be required to shape organisation reporting so that much more meaningful information is produced by businesses – information that is accessible, and understandable. They will be seen as prominent figures in businesses and the wider community in upholding the highest standards of ethical behaviour and business practices, as well as helping build the infrastructure and supervisory frameworks that are required to support the development of emerging economies. They will play a crucial role in developing the next generation of finance professionals across the world to ensure that the profession continues to be held in the highest regard. The next decade presents a golden age for the profession. It is an opportunity that must be taken.

# Study methodology

The report is based on telephone interviews with 503 business leaders, including chief executives, chief operating officers, chairmen, presidents, partners and other senior business leaders across nine countries – China, India, Malaysia, Poland, Singapore, South Africa, UAE, the UK, and the US. The survey took place in Quarter 3 2010, and was undertaken across different sizes of organisations representing all sectors of the global economy.

The three charts below provide further information on the respondents and their companies

CHART 10: ROLES OF SURVEY PARTICIPANTS

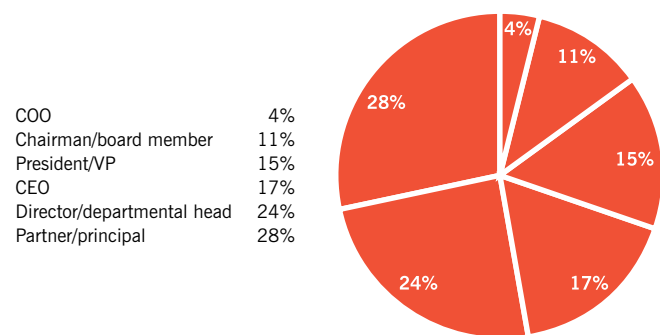


CHART 11: SIZE OF ORGANISATION OF SURVEY PARTICIPANTS

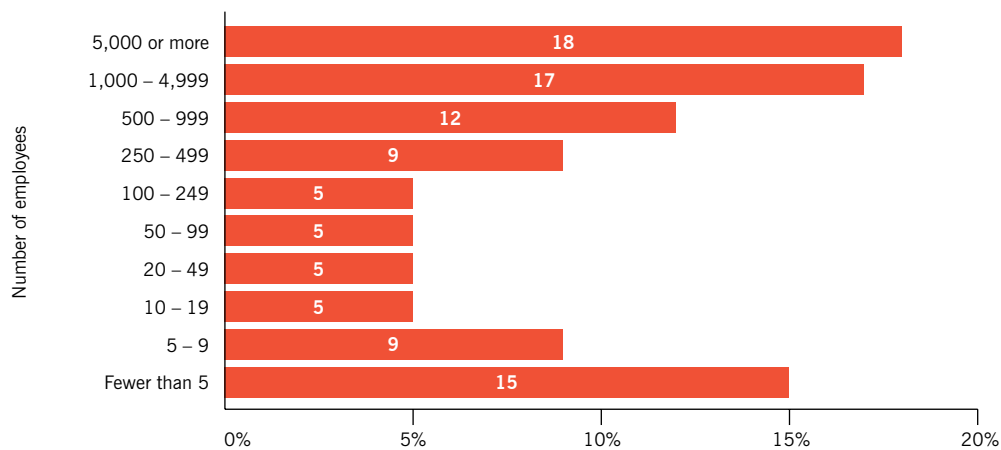
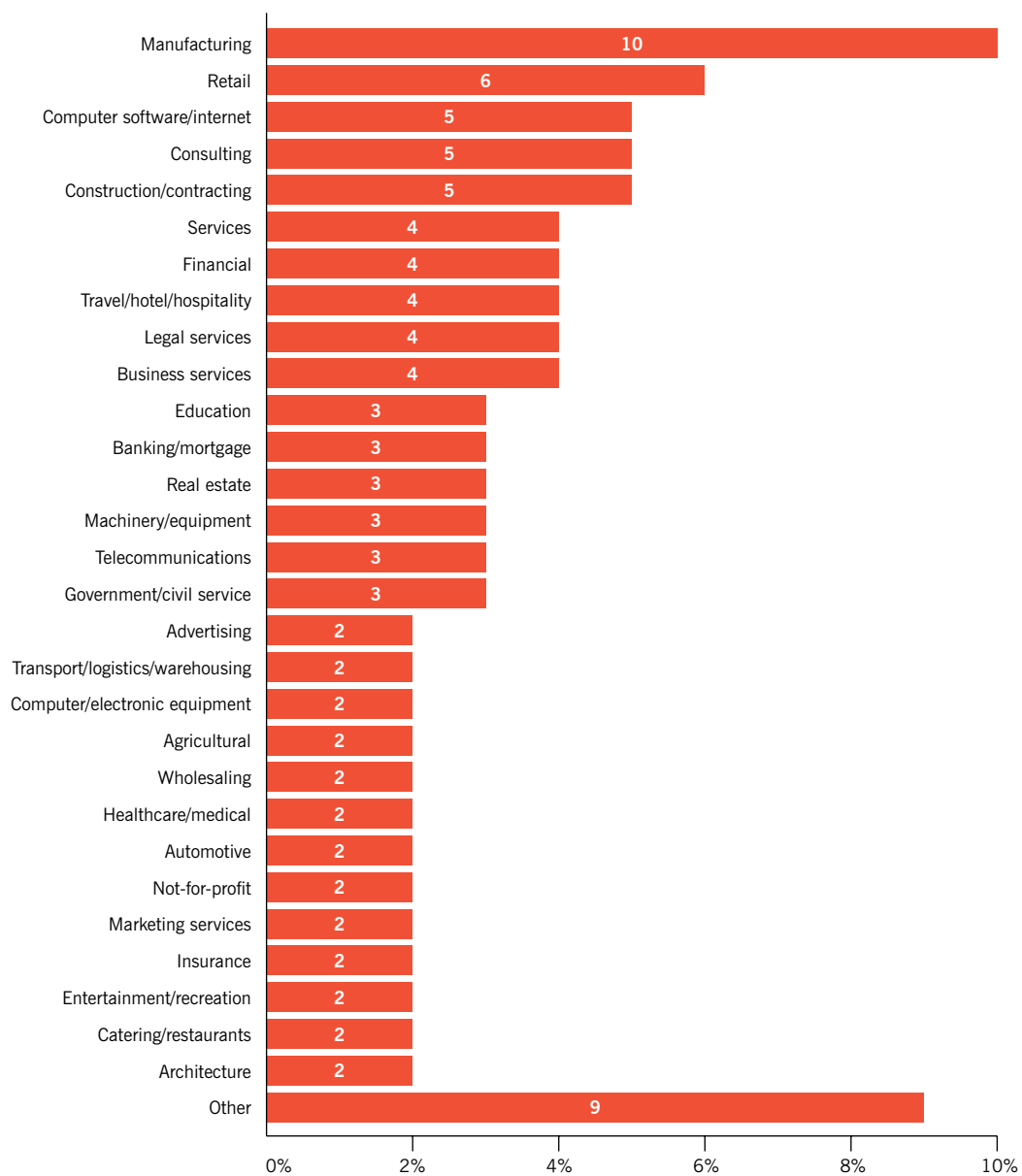


CHART 12: EMPLOYMENT SECTOR OF SURVEY PARTICIPANTS



## About ACCA

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ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies at all stages of their development. We seek to develop capacity in the profession and encourage the adoption of global standards.

Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business. We seek to open up the profession to people of all backgrounds, and remove artificial barriers, developing our qualifications and their delivery to meet the diverse needs of trainee professionals and their employers.

We support our 140,000 members and 404,000 students in 170 countries, helping them to develop successful careers in accounting and business, based on the skills required by employers. We work through a network of 83 offices and centres and more than 8,000 Approved Employers worldwide, who provide high standards of employee learning and development. Through our public interest remit, we promote appropriate regulation of accounting and conduct relevant research to ensure accountancy continues to grow in reputation and influence.

### ACCOUNTANTS FOR BUSINESS

ACCA's global programme, *Accountants for Business* highlights and promotes the role of accountants across all sectors and size of organisations as the source of value creation in business. The programme showcases finance professionals delivering great business performance and creating value, strengthening the global economy through their integrity, and ensuring sustainable, responsible business.

### ABOUT THE AUTHOR

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