

INSIGHT

Human capital in accounting and finance
Accountants for business

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Introduction

Welcome to our Insight Series. We recognise the importance you place on having an opportunity to explore, reflect and plan for managing the impacts of current and anticipated challenges and opportunities.

Our Insight reports are intended to provide you with that 'space' and an insight into the key issues relating to the recruitment, retention and development of finance professionals. Ultimately, I hope our shared insight helps you with your strategy, decision making and allocation of resources in relation to the recruitment, retention and development of accountants.

ACCA's theme for 2009–2010 is Accountants for business. It emphasises a new, value-adding agenda for accountants in whatever role they occupy. The theme examines the role of accountants as promoters of sound business practice, champions of sustainable business development and identifiers of value drivers that all lead to high-performing organisations.

The environment in which businesses operate has become more challenging and will remain so for the foreseeable future. The needs of businesses have changed, and for the accountancy profession this has been reflected in a new dawn and a new role for the accountant. This role with its renewed focus on value-added is presenting accountants with a central and vital function in shaping business. The spectrum is wide. Accountants contribute to business by working in them and with them: as finance specialists, as risk managers, in the C Suite, as regulators, as auditors and as advisers.

The changing priorities of businesses, and the changing role of accountants, also has another very significant dimension. Organisations, their advisers, and CFOs will be trying to understand the finance operating model that optimises the value that accountants can provide in this new environment. In this research, we will seek to explore how accountants are presently driving value. In this report, we have chosen to focus on the role of accountants within the organisation as the means of demonstrating the value-added activity of finance professionals, but we recognise accountants outside of the organisation also add value as external advisers.

We are keen to hear from you with feedback on our research and how it compares with your experiences. Do get in touch.



Best wishes

Tony Osude
Acting director of professional development

Executive summary

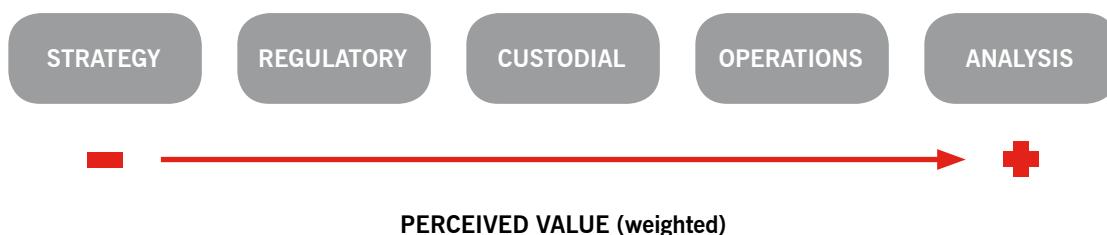
This report considers how and where accountants can drive value in the organisation. It looks at how this value can be optimised, and considers the features of finance functions that best support delivering value. It also demonstrates how business factors can shape and drive optimal finance structures, and presents a three-step model for optimisation.

This research has identified five areas in which accountants can contribute to organisations – we call these the five domains of finance. In our model, each domain represents a specific area of activity which details how accountants can contribute to organisational success. We identified two areas in which finance professionals can drive most value in their organisations in the present business climate. They are:

1 Analysis – ensuring the business is provided with the right information to make superior business decisions. We call this ‘applying the finance lens’ to help navigate through the current business climate

2 Operations – accountants are returning to their traditional remit of ensuring strong controls over finance operations. The economic downturn has refocused priorities on the ‘finance fundamentals’, such as stronger control and understanding of working capital, better focus and accuracy with cash forecast positions, transparency and understanding across the balance sheet, debt reduction and so on.

CHART 1: WHERE FINANCE ADDS MOST VALUE, CURRENTLY



DELIVERING VALUE: CORRELATED SKILLS

How skilled are finance professionals in delivering the value identified above? Our research indicates some misalignment between where respondents felt finance added most value in the present environment, and where it had the highest skill levels. This means that finance functions, and accountants may not be optimising the value they provide to businesses.

The priorities for the organisation, reflected in its finance target operating model, will determine the skills profile of the finance function, and the weighting given to skills in each of the five domains. As business priorities change, so will the required target operating model, and therefore the skill mix. We call this the ‘dynamic value – correlated skills’ axiom.

ENHANCING VALUE

How can accountants and finance functions enhance the value they provide their organisations? We call these the ‘Finance function enablers’. Our research suggests there are a number of key factors

Finance function enabler 1 – Finance influence: High performing accountants have influence, and work in influential finance functions.

Finance function enabler 2 – Finance strategy must be aligned to the organisation, and where it best creates value

Finance function enabler 3 – Finance leaders are effective – strong leadership gives finance credibility at board level

Finance function enabler 4 – Finance IT – investing and leveraging IT pays dividends.

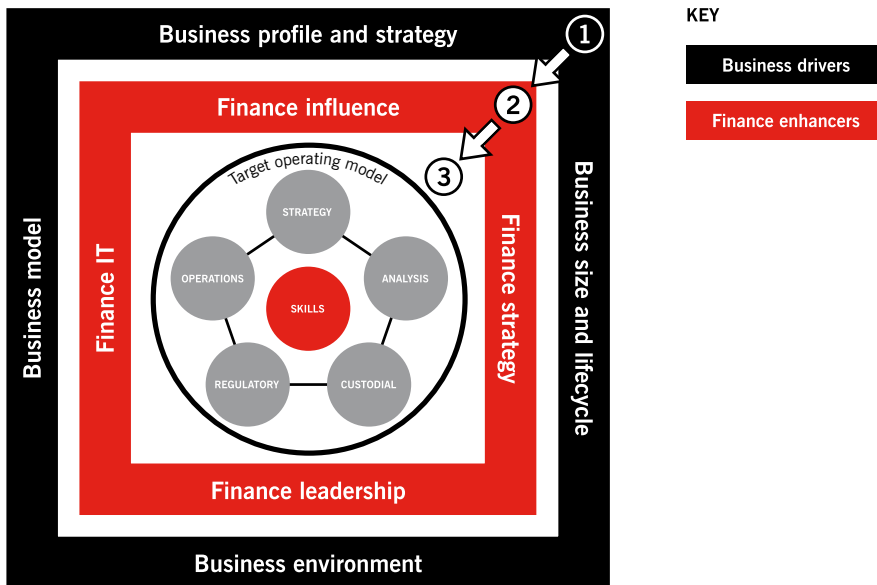
SHAPING AN OPTIMAL MODEL FOR FINANCE

Our analysis also suggests that the business and the environment in which it operates has a significant influence on what an optimal model for a particular finance function should be. Generally, it was found that while finance might have a vision for itself within the business, it was not always the case that the business would have an ambitious vision for finance. The lifecycle stage and business size would also have an effect. The main business factors shaping the optimal finance model are:

- 1 The business environment – the economic cycle, and general business environment plays a huge part in where the focus of accountants should be
- 2 The business profile and strategy – the profile of the business, and its specific business strategy will shape and drive where finance can deliver most value
- 3 The business model – whether the business is centralised, or highly geographically dispersed is likely to have a large impact on what finance does, and where it does it – outsourcing, off-shoring, retained finance functions are all model options for finance
- 4 The business size and lifecycle – the maturity of the business and where it is in its lifecycle is likely to determine finance priorities and resources.

The report concludes by presenting an optimal model for finance. It shows how business factors, and the finance function enablers can shape an optimal target operating model for what finance does, and how accountants drive value. At the heart of our optimal model for finance is the resources, skills, experiences, knowledge and competences that finance professionals hold. We call this the ‘dynamic value – correlated skills’ axiom. The conclusion to our work in this report is that if businesses fail to invest effectively in the skills, knowledge and capabilities of their finance professionals, an optimal model for finance can never be achieved.

CHART 2: THREE-STEP PROCESS TO DEVELOPING AN OPTIMAL MODEL FOR FINANCE



Over the last 10 years, as business complexity has grown in some ways it has become more difficult for organisations to identify how value is created across the organisation. A major focus for accountants has been on aiding organisations, as ‘business partners’, with their business strategy, as well as remodelling financial processes to drive operating efficiencies, strengthening controls, creating more effective performance measurement processes, improving investor relations, managing the asset base more carefully and even partial involvement in social responsibility issues. The role of the accountant in driving value is now very broad.

Traditional methods of assessing an organisation’s performance are, on their own, only part of the answer. Value creation for shareholders in the form of increase stock prices is still very important, so it stands to reason that accountants still focus on assisting their businesses by trying to drive revenue and lower costs. However, accountants have a role to play in value creation in a much wider sense – value creation in today’s companies is increasingly represented by intangible drivers such as innovation, people, ideas, brand. So they have an important role to play in balancing short-term objectives, which may result in short-term financial value gains (eg cost cutting), with longer-term strategies, which may drive value (in its widest sense) in the longer term.

A FOCUS ON THE FUNDAMENTALS

Increasingly different demands are likely to be made of finance professionals. This will be reflected in what accountants will do, but also the skills they will need to do it. The business will expect finance to remain the custodian of the organisation, keeping financial ‘fundamentals’ strong (strong balance sheets, de-leveraging the business and maintaining good cash flows), but the business will also require finance to challenge strategy and the business model more, helping to drive customer demand for its products and increase profitability. While technical acumen will always be a prerequisite for many financial roles, this changed agenda cannot be delivered without accountants continuing to develop a much wider range of business skills and knowledge. The right behaviours will be important too.

SUSTAINABILITY, ETHICS AND DEVELOPMENT

There has been growing recognition of the role business should be taking in sustainability issues. The approach organisations take to how they treat their customers, their environmental record, their levels of employee engagement, and so on, have been shown to affect reputation, and profits, and therefore shareholder value. To date, the focus of many businesses has been on managing environmental issues – self-imposed carbon-efficiency targets and metrics, and investment in carbon-neutral or offsetting technologies, exploration of green markets and so on, but there is increasing recognition of social and economic considerations too.

The role of the accountant as a champion of sustainable business development is a recognition of the fact that current financial

reporting practices only tell part of the story in assessing an organisation’s performance. As governments and regulators seek to work with organisations to enhance and widen sustainability reporting, accountants are likely to play a key role. As a consequence of their education and training, accountants are skilled in establishing benchmarks and performance indicators, and establishing processes to gather and report information. They will be highly valuable to organisations in driving transparency and reporting on the organisations progress with sustainability issues in much more meaningful ways. A paper recently issued by ACCA¹ suggests that accountants will have greater involvement in sustainability issues across a number of key areas:

- they will be required to provide a better understanding to their businesses of the sustainability reporting requirements and levels of disclosure
- they will be needed to help develop frameworks and metrics to measure progress against these issues, and
- they are more likely to be involved in actually providing the information on sustainability issues that internal and external stakeholders require.

TRUST

At the centre of all transactions and commercial relationships lies trust. The collapse of trust between financial institutions saw the freezing of credit that in turn produced an economic downturn. Accountants have a significant role to play as the trusted business adviser. From an internal perspective, accountants are increasingly required to support the broader decisions that business leaders are taking – a recent ACCA² report concluded that CFOs are currently more involved in establishing medium- and long-term strategy, and finance is working closer with various business units in strategy planning. The CFO is not only the custodian of the organisation’s financial assets, nor are their responsibilities solely confined to reporting to shareholders or meeting regulatory requirements – instead, the role they and their finance functions perform is now much broader and multi-faceted. They are increasingly the guardian of the brand, ensuring that the company adheres to effective business practices. Accountants are well placed to act as the guardian of the organisations integrity – these values are enshrined as an inherent part of the education and training process for professional accountants, and adherence to a code of ethics is typically mandated as part of the membership requirements of professional accountancy institutions. In determining the appropriate actions and decisions to take, sound professional judgement is vital.

1 *Sustainability reporting briefing paper 1*, ACCA 2009

2 *The CFO’s new environment*, ACCA 2009

The developing role of accountants as a trusted business advisers is evidenced elsewhere. Increasingly professional accountants serve on the boards of listed companies, and many CEOs are now qualified accountants. A recent study by Robert Half³ in the United Kingdom revealed that over half of the CEOs of the UK FTSE 100 companies had a financial background. More generally, in larger organisations, finance functions are increasingly cross-functional, their remit is widening, and as identified above, CFOs have been reconfiguring finance functions, not only to drive down costs, but so their accountants can become more effective advisers. In smaller enterprises, accountants make an enormous contribution at different life stages of these businesses, from inception, through growth periods, and winding down, where required – their role is typically multi-faceted, encompassing a wide range of financial and broader business areas. According to the OECD, the small business sector represents 95% of all enterprises, so the contribution of accountants to economic growth is considerable.

In working with organisations as trusted advisers, the accountant increasingly has to operate across a network of internal and external stakeholders. Accountants no longer just report to the shareholders. They work with a multitude of regulators to ensure the business is effectively controlled. They work with banks and money institutions to ensure the business has sufficient cashflow, that its money is invested where it can make the most return, and to ensure it is hedged against currency fluctuations and other risks. They work with governments and tax authorities to ensure organisations plan their tax affairs in the most efficient manner. They work with property consultants and asset management organisations to explore different ways of creating value, either investing, or finding more effective ways to divest in property. They liaise with customers, to better understand how the business can develop its products to meet customer needs, and suppliers, to drive out operational inefficiencies across the supply chain.

The production of financial statements and statutory accounts is also important. Stakeholders are interested in the financial viability of the organisation, its liquidity and cash position, how effectively it is managing its risk, where it is investing its funds and so on – all useful information that is provided by financial statements. The accountant, by preparing and issuing the statutory accounts can inform banks and other capital lenders to identify the organisation's credit risk and its status as a going concern. Suppliers and other trade creditors will also be interested in the organisation's longevity, business customers will also want some assurances that their supplier is not about to go bankrupt. Employees too will have a vested interest in how well the organisation is performing, for obvious reasons. The financial statements provide a wealth of information to other external stakeholders, such as governments, tax authorities and the wider general public.

Internal stakeholders are important too. The internal working relationships of accountants have changed. Accountants work in teams with colleagues who will increasingly be drawn from

different parts of the world, particularly in larger organisations. They work much more cross-functionally – they work with HR to better manage the performance of the business's most important asset – people, and to ensure returns on training investment are maximised. They use IT to drive automation across certain finance processes and to reduce costs. They work as business partners with sales and marketing operations to provide more informed analysis on what the numbers mean, how to drive sales in the future, to profile the customer base more effectively, to forecast exchange rate movements and so on. They engage continuously with remuneration committees, audit committee's, pension boards, and so on to review aspects of the businesses performance. All of these interactions, processes and operations see the accountant in a new role, a trusted and professional adviser to internal and external stakeholders.

External auditors confirm that financial statements have been prepared accurately, and are a true and fair reflection of the entity's position. In this sense, the external audit remains a key aspect of corporate governance, because it makes management accountable to shareholders for the stewardship of the organisation. The auditor is playing the role of the trusted intermediary here. A good auditor, though independent, will develop constructive working relationships with their client, and be seen as a key business partner. Getting the balance right between impartiality, and a trusted adviser, is important. For many organisations, the most valued external auditors often go beyond their strict remit in terms of regulatory requirements and disclosures and are able to provide senior management, and audit committees, with arguably much more valuable business insights – for example, predicting macroeconomic developments that might impact on the future performance of the business, or using the wealth of compliance information and control system knowledge they have developed to help their clients. In any case, as corporate governance evolves, the need of the audit committee for trusted advisers will grow. A good auditor should ultimately help audit committees, and non-executives, ask the right questions of the board.

Increasingly, accountants are employed in wider ranging consulting and advisory roles. Many organisations recognise the business understanding and insight that accountants can bring. However, there is something else too – as part of the education and training process in becoming a qualified accountant, finance professionals learn to develop a wide range of critically important business skills such as communication, problem solving, leadership skills, time management, project management, report writing, relationship management, change management and so on. This training also helps to encourage appropriate behaviours.

The current environment provides an opportunity for accountants to firmly re-establish their historical remit and role as trusted advisers and intermediaries within business. In this new, ever more complex environment in which business operate, accountants who can bring objective and insightful understanding and solutions to the challenges that businesses face will be highly prized and valued.

3 The Robert Half FTSE 100 CEO Tracker

This report focuses on how accountants add value to business. It uses the ‘finance function’ as the case study or example to demonstrate the role that professional accountants play and to identify the differentiators between the good and the great. In essence, it demonstrates that for the finance function to be great, it should be shaped according to the corporate strategy, the size of the organisation and stage in its lifecycle, sector and, not least, the organisation’s ambitions for finance. This should be complemented by the enabling characteristics of being able to exercise influence across the organisation, having a sound and shared vision, good leadership and IT systems.

First, we explore how the wider business shapes and influences how and where finance functions and accountants can drive value and consider how and why finance models are likely to differ according to strategic positioning, sector and so on.

Second, we consider the position of the individual accountant – what do accountants do, and how skilled are they presently. We develop a framework that identifies how and where accountants contribute value and how this is correlated with skill levels.

Third, we identify the enabling characteristics that best support accountants delivering value to their organisations and the critical success factors within finance functions that enhance the opportunities for accountants to provide greater value.

Finally, we bring these issues together to identify a framework with which organisations can build an optimal model for finance, and suggest how different profiles may work for different businesses.

Shaping the finance model

The relevance of corporate strategy and the business model in shaping the finance function is not a connection that is always made. The analysis suggests that the business and the environment in which it operates, have a significant influence on what an optimal model for a particular finance function should be. Generally, it was found that while finance might have a vision for itself within the business, it was not always the case that the business would have an ambitious vision for finance. The lifecycle stage and business size would also have an effect. The main factors, discovered by the research are set out below.

FACTOR 1: THE BUSINESS ENVIRONMENT

The economic environment, and prevailing business conditions, has a huge impact on what the optimal finance function should look like for a particular business, and for the priorities and skill profile of accountants working within the organisation.

Over the last decade there have been two prevailing characteristics of finance functions – evolving to be seen as a business partner to the organisation and coping with increasing levels of regulation. As this report identifies, the global economic downturn has refocused the priorities of many finance functions, much more towards traditional finance activities, particularly around finance operations, reviewing the cost base and business analysis.

The key point here is that the economic cycle, and general business environment plays a huge part in where the focus

of accountants should be at any particular given point in time across each of the five domains of finance identified in part two of this report below. Consider for example a business that is heavily dependant on oil, such as a transportation organisation. A spike in the oil price may refocus finance's priorities on reviewing the cost base much more carefully, or even bringing forward strategic plans to invest in alternative, greener technologies.

Changes in the business environment can also influence the capabilities of finance to deliver what the business really needs. For example, growing regulatory demands may submerge organisations in compliance and control work, yet this may not drive a huge amount of value across the business. Finance will have less time, and resources to engage in activities that do drive value.

'For example, if you're a manufacturer producing massively high volumes of very similar product in a very stable environment, you may find that there's not a lot of insight to be gained, it's all around just doing it absolutely as cheaply as possible and controlling costs'

PARTNER, BIG FOUR

'if expenses are 90% of revenue, controlling those are really important, if they're 10% of revenue, you know, who cares all that much'

GLOBAL LEAD, BIG FOUR

FACTOR 2: THE BUSINESS PROFILE AND STRATEGY

The extent to which one finance domain is prioritised over another will be determined, in part, by the profile of the business, and its business strategy. A business operating on a small margin in a stable business environment will primarily be focused on finance operations, managing its cash closely, and controlling costs, because any significant changes in these parameters could have a quick and detrimental effect on the viability of the business.

Conversely, where profit margins are significant, for example, some of the major oil companies, finance may be less focused on cost – what they need is really strong business analysis from their accountants, because their businesses are complex – they may not be too concerned about finance operations because they have more 'fat' in the profit margins.

The sector in which the organisation operates will also direct the priorities of accountants across the five domains identified below. The priority of a primary care trust in the National Health Service is, ultimately, to maximise patient care for the minimal financial outlay, so identifying finance operational efficiencies, as well as identifying where money can be spent to achieve the greatest value is key. In contrast, an investment company may be more focused on custodial issues such as risk and whether they have mitigating factors in place to manage that risk profile accordingly.

FACTOR 3: THE BUSINESS MODEL

Importantly, the business profile and business operating model is also likely to play a major part in determining the optimal model for the finance function. At one end of the scale is a business model that is fully autonomous at the local level, where the majority of finance activities are undertaken locally. At the other end of the scale, finance is centralised and typically finance operations are undertaken from HQ.

In between is some sort of functional or regional aggregation, and possible outsourcing of transaction processing services to lower cost base economies. This model of a finance function, which keeps the added value finance insight and analysis within the company and close to the commercial and business units – a ‘retained finance function’ – is increasingly common. However, such a model has huge implications for what the business requires from finance, and what skills are needed to deliver this. Effective relationship management of an outsourced finance function requires some very different skills, and there are wider implications in terms of issues of talent development, as the historic entry pool for developing new talent in the organisation is shut off.

The key point is that the organisation model will determine and shape to some extent what accountants are expected to do, where they can drive most value and how effective they are likely to be. It may be argued that a retained finance function is more likely to provide the business with the insight it requires because typically they aim to recruit higher quality finance staff, are closer to the customer and can build up the greater commercial understanding. Removing the routine duties finance performs enables the retained function to concentrate on developing specific insight skills, and critically, there are fewer distractions to pull finance away from these activities.

‘the finance operating model would follow the business operating model ... if you are a highly centralised kind of business finance will be focused on the centre. If on the other hand you’re a highly de-centralised business you might want some of your insight and business partnering thing much more locally close to the business producers’

GLOBAL LEAD, BIG FOUR

“for example, if you took something like a utility organisation, typically they can put payables, receivables, general ledger, virtually the whole of finance into shared services. If you take a consumer business where decisions about price, credit strongly influence the volume and nature of the buying process, and therefore the shape of the order the customer will give you..... the way that the local company needs to operate are key in its business success, so therefore that would define the boundary of what (element of finance function) remains in the company”.

PARTNER, GLOBAL CONSULTING FIRM

FACTOR 4: THE BUSINESS SIZE AND LIFECYCLE

Where the business is in its lifecycle will have a significant impact on what the optimal state of the finance function looks like. Small businesses that have recently been established will typically employ perhaps just a bookkeeper, but as the business grows, there will be greater need to employ perhaps a management accountant, or a financial analyst to provide the organisation with a better understanding of the business dynamics. Often at the inception stage, businesses will expect their finance employees to fulfil a multitude of different roles. When a business starts, the main priority for finance is operations, particularly around effective bookkeeping and managing the accounts. However, as the business matures, and becomes more complex, different priorities will be placed on the role of finance. In contrast, when businesses are reaching the end of their lifecycle, again the priorities of finance will be very different, and drive different requirements from the accountants.

Business maturity is often positively correlated to business size, and the size of a business influences the role accountants perform, and what the finance function is expected to deliver.

Our research has shown some differences in finance priorities depending on the size of the organisation. As a broad maxim, operational efficiency in finance operations in smaller organisations seemed to be more important than larger

organisations. This makes sense because, as a general rule, it is important in smaller organisations to be managing working capital and cash conscientiously and managing the cost base carefully. In smaller businesses, transparency across operations is often easier, there are less complexities and variables, less customers and suppliers, simple supply chains. So in some senses, the role of the accountant is easier; conversely, in other senses the role is more difficult as the accountant is likely to be fulfilling a multitude of different roles.

Alternatively, the priorities of accountants and finance functions in larger organisations are more focused on influencing organisational strategy, custodial issues (risk management, ensuring the organisation has effective business and financial controls, and overall protection of business assets) and regulatory matters. These priorities are typically a reflection of business complexity – accountants in larger organisations will need to assist their businesses in deconstructing and analysing the wide range of strategic options that exist for the organisation. Similarly, there is much more complexity in terms of organisational asset structure, its risk profile, its control framework, so we would expect finance functions and accountants to be optimising their value here. The same applies for regulation – bigger organisations simply have more regulation to address.

The domains of finance

Accountants contribute to value creation, the promotion of sound business practices and sustainable business development. These all foster a culture of success, and result in high-performing organisations. But what are the specific areas of a business to which accountants contribute and what corresponding skills do they need to maximise the impact for the organisation.

Our research has identified five areas in which accountants can contribute to organisations – we call them the five domains of finance. In our model, each domain represents a specific area of activity which details how accountants, whether internal or external to the organisation, can contribute to organisational success.

PROVIDING VALUE – DYNAMICALLY

The research identified where respondents felt finance functions and accountants could add most value to organisations and, particularly, in line with the general business priorities at a given time. By understanding where accountants are best placed to support their businesses and drive value, resources can be more effectively targeted and optimised. To this extent the finance function and accountants need to be dynamic, flexible and nimble so as to anticipate and respond quickly to changes in the needs of the organisation.

There are specific finance domains that form the core of value adding activity. Respondents to our survey felt that currently accountants could provide most value to businesses in the analysis domain – providing effective decision support and management information so that businesses could take the right business decisions to ensure short-term survival, and longer-term growth. Effective finance operations were also cited as being key to supporting businesses in the present climate, particularly in areas of managing cash, cost management and driving operational efficiencies across routine finance processes.

TABLE 1: FIVE DOMAINS OF FINANCE

DOMAIN	CONTRIBUTION
Strategy	Identifying appropriate business strategies Driving change in the organisation, improving finance literacy Shaping the finance model Providing clear financial leadership and direction
Analysis	Providing commercial and business analysis to aid decision making Producing management accounts Developing more effective performance measures and reporting Reviewing and reducing the cost base Managing the financial implications of business projects Planning, budgeting and forecasting
Regulation	Managing regulatory relationships effectively Meeting statutory reporting requirements Meeting governance requirements Managing investor relations Contributing to the organisation's corporate social responsibility issues
Custodial	Establishing an effective internal control structure Ensuring the organisation has an effective capital structure Ensuring the organisation manages its risk appropriately Minimising tax liability Protecting the asset base
Operations	Driving improvements in finance IT systems Ensuring transaction processing operates efficiently Effectively managing the organisation's cash Effectively managing the organisation's balance sheet

In the present climate, accountants will add most value to their organisations by ensuring finance operations are sound, and the business is provided with the right information to make superior decisions which ensure short-term survival

CHART 3: THE FIVE DOMAINS IN WHICH FINANCE FUNCTIONS AND ACCOUNTANTS CURRENTLY ADD MOST VALUE



The focus of finance and where accountants are adding most value reflects business priorities. When the business environment becomes more uncertain, there is greater need to understand how the business is performing, and where it is spending its money. In the current environment, there is greater pressure on organisations to produce information and accurate analysis that provides an informed view of business performance, and expected trading conditions in the near term. The accuracy and reliability of business information has become critical – accountants are seen to drive value through better business planning and improving the accuracy of business forecasting.

Beyond providing the financial analysis that organisations require, respondents indicated that accountants were also driving high value through finance operations. The financial crisis has created a bottleneck in the banking and cash system, and refocused organisations on finance operations. Cash liquidity is the primary reason why many businesses will fail in the current environment, which may explain a sudden refocus on the basic financial operations of companies. Stronger control and understanding of working capital, better focus and accuracy with cash forecast positions, transparency and understanding across the balance sheet, debt reduction and so on have all become critically important to the survival of organisations. Accountants are increasingly expected to look forward as well as to look back, with many senior accountants spending 80% of their time enabling the organisation to plan, whether it be in one-month or 36-month timeframes.

Accountants continue to undertake their regulatory responsibilities, and maintain control and custody of the organisation's assets, but there was much more variation of opinion on the value this adds – some respondents saw regulation as an important function of the accountants role, and one which would further increase in the future. Other respondents cited concerns over the increase in regulatory demands. In general regulatory responsibilities were felt to be tick box orientated, and non-value adding – part of the problem is the time taken to comply with regulatory requirements, taking accountants away from adding value in other areas.

Finally, our research suggests that accountants were generally required to provide less strategic input in comparison with the other domains. This is most likely being driven by an adverse economic climate in which cash, efficiency and business survival are central to the organisation's immediate needs. Where required, accountants still appear to be supporting strategic decision making, but short-term survival, not strategic planning, appears to be the priority.

ACCA recently reported⁴ that though the CFO is more involved in establishing medium- and longer-term corporate strategy, doing so is more challenging than ever, and many companies are delaying making strategic decisions and in some cases delaying essential investment spend. So strategy work is not particularly value adding.

'better forecasting, more precise forecasting, budgeting and analysis in the current environment because there's a lot of fluctuation in the external environment'

FINANCE DIRECTOR, CONSUMER GOODS

'... even in the good times, I'm very much cash orientated ... the first thing I look for are assets that aren't generating cash'

FINANCE DIRECTOR, RETAIL

'[regulation is] pretty onerous stuff ... it is difficult to do, it is time consuming and it is of no value to the business'

FINANCE DIRECTOR, VENTURE CAPITAL FUND MANAGEMENT FIRM

'There is not a lot of strategic planning – the strategic plan for the moment is to try and make sure the organisation is here long enough to think about the strategic plan'

GLOBAL LEAD, BIG FOUR

'Businesses are then hit by the financial crisis ... the CFOs at the top and the functions beneath them started to come to the fore because some very basic things like cash became absolutely key ... So, understandably, there is huge pressure on the Finance Team and an incredibly short term focus. Certainly the companies we've been talking to, the time horizon is into months'

GLOBAL LEAD, BIG FOUR

4 The CFO's new environment, ACCA 2009

DELIVERING VALUE: CORRELATED SKILLS

Each of the five domains of finance outlined above has a specific set of skills and knowledge that enable the accountant to drive value in these areas. The charts, below, illustrate the relationship between domains and skills. The priorities for the organisation will be reflected in a finance target operating model which will directly determine the skills profile and weighting given to skills in each of the domains. The research indicated that there is a need for organisations to strengthen most areas, with strategic and regulatory skills requiring the most attention. Specifically, in those two areas, organisations of all sizes had less capacity to:

- act as an agent of change
- drive commercial strategy
- shape the finance model.

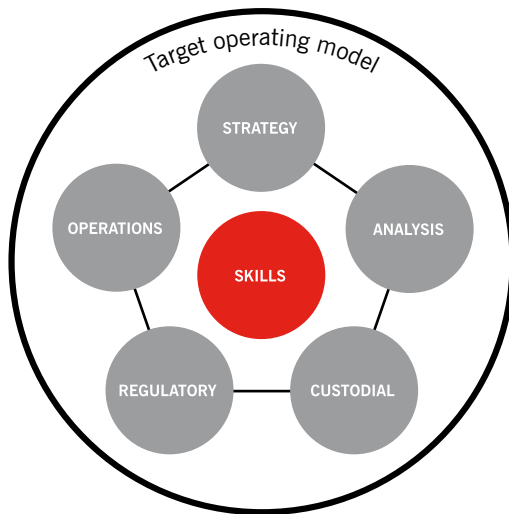
However, they were strong (and strength appears to correlate with size) in:

- building financial management capacity in the organisation
- providing leadership in finance.

The key points for organisations to consider are whether they have the right level of overall skills capacity across the domains and whether at any point in time the correct domain emphasis (that is domain focus), and correlated weighting of skills, is being reflected.

When we consider the perceived skill profile of accountants and finance functions across the five domains, we see that the areas in which respondents felt finance added most value in the present environment was not aligned with where respondents felt finance had the highest skill levels. Our results would suggest that, generally, there is some misalignment between where accountants in the present environment can drive most value in their organisation and the skills they hold. This may suggest that, broadly, finance functions are not optimising the value they can add to their businesses. Accountants were cited as having very effective skills in the regulatory domain, but less skill in the domains of custodial, operations and analysis. Of most concern was the level of skills in strategy.

CHART 4: THE DYNAMIC VALUE – CORRELATED SKILLS AXIOM – THE LINK BETWEEN VALUE AND SKILLS IS AT THE HEART OF THE OPTIMAL MODEL FOR FINANCE



The five domains of finance can be used to identify where finance adds most value. From this, a target operating model for finance can be developed, at the heart of which is the skills, competencies, knowledge profile of professional accountants in the organisation.

CHART 5: A SKILLS MAP – THE COMPARISON OF CURRENT STATE SKILL PROFILE AGAINST REQUIRED STATE SKILL PROFILE

Five domains of finance	Current state skill profile			Required state skill profile	
	High	Low		High	Low
Strategy		■	Business needs to develop metrics to measure current state skill profile in each domain, and assess the gap to required state		■
Analysis	■			■	
Operations		■		■	
Custodial		■			■
Regulatory	■				■

What may have caused this misalignment? Over the past decade, the role of the accountant has broadened considerably, primarily in two areas. First, more and more finance professionals have taken roles with a strong strategic and commercial element, as businesses recognise the value accountants bring to strategic and commercial decision making. As one of the individuals interviewed for the research put it, it is about having ‘a commercial understanding to gather, interpret and present information’. When developing their employees to provide this commercial insight, typically businesses have a choice – either they can take non-accountants already operating in commercial functions and try to inculcate them with a certain amount of financial literacy, or the business can migrate finance people into commercial functions, and develop their commercial aptitude. This second approach has often been an objective of finance leaders. They have specifically created business partnering roles for finance professionals but the success has been mixed. The lack of success has been partly down to many organisations still expecting some accountants in these roles to be fulfilling a traditional remit and some accountants have been only too keen to fall back into their ‘comfort zone’. In other cases the systems have not been developed to automate the processing function and/or have been outsourced. The consequence is insufficient time and resources for business partnering activities. The lesson appears to be that business partnering is an all or nothing game. Going half-way will not produce the desired result. However, with the right level of ambition, a shared vision within the organisation, the necessary skills and supporting systems, successful business partnering can be achieved. A very typical scenario was articulated by one of our interviewees and is worth setting out here at length, opposite.

In many ways, the choice that an organisation faces of either creating financial expertise in non-finance functional managers or bringing finance professionals into the business, could be a defining moment for professional accountants. Failing to capture and respond to the needs of the organisation and seize the opportunity to be involved beyond the traditional financial role may well see the finance function and accounting professionals being relegated to the back office. Further,

“... all of a sudden the organisation or the CFO says ‘listen we want you to spend more time on business partnering and spend less time on that other stuff ... and we’ll start putting technology in place to help you’. But the finance persons knows what he knows, so I don’t know about you but if I’m given a new job to do, but I still have my old one to do and I’m really comfortable doing my old one, I’d go back and do my old one, that would be the one I do first and then the bit that’s left I’ll put to business partnering. So the organisations that have done it well have taken all that off them, either through technology or putting it into a shared service centre, so the person still has responsibility for the quality of service that the business gets around those activities, but not for managing all the people and the process itself. So you take all of that off them ... you make it **really** clear they’ve got a very simple role and responsibility and you don’t clog it with lots of other things that can distract them”.

PARTNER, BIG FOUR

The priorities for the organisation, reflected in its finance target operating model, will determine the skills profile of the finance function, and the weighting given to skills in each of the five domains. As business priorities change so will the required target operating model, and therefore the skills mix. We call this the ‘dynamic value – correlated skills’ axiom.

it was clear from the research that, the less value and importance attached to the function then the more likely it is to suffer a lack of investment and eventually be outsourced, with functional line managers taking over the role of providing financial information. This vicious circle is something that finance functions and CFOs should be actively aware of.

To try to improve the skills and contribution of finance in this area, as well as driving operational efficiencies and cost savings, or perhaps improving transparency over compliance and control areas, some multinational organisations with large global footprints and sizeable finance functions have started to outsource or offshore routing transactional finance activities, and keep a ‘retained’ finance function within the company close to customer markets – but success remains a perennial challenge. Commercial instinct and acumen still remain difficult skills for accountants to require. McKinsey recently reported that accountants would continue to struggle to add value in business strategy without specific training and preparation.⁵ Confidence is also key.

‘... the confidence to be in the room ... to get involved’

‘... the ability to present, the ability to debate and win a debate, the ability to impact a board’

PARTNER, BIG FOUR

⁵ How finance functions are changing, McKinsey, 2009

Current skill levels across finance appear to be misaligned to where respondents felt finance can drive most value in the present environment

The skills imbalance that we broadly see is also possibly caused in part by a reprioritisation of the organisations priorities. Tough economic times forced organisations to reconsider what they need from their finance departments, and their accountants. Finance has had to rebalance its priorities at short notice and is playing catch up.

SKILL PROFILE: AN OVERVIEW

Table 2 illustrates our detailed findings from research on current skill levels across the five domains. Overall, what it seems to indicate is that skills are still weighted towards the traditional or comfort zones. This, of course, could be a temporary position reflecting organisations’ priorities as shaped by the business environment. Nonetheless, the findings do seem to confirm an existing trend and perception, and previous findings, that greater investment needs to be made into the non-traditional domains.

TABLE 2 : CURRENT SKILL LEVELS OF ACCOUNTANTS ACROSS THE FINANCE DOMAINS

FINANCE DOMAIN	CURRENT SKILL LEVEL	
	High	Low
Strategy		
Demonstrating effective finance leadership	■	
Strategic decision making	■	
Building financial management capacity		■
Shaping the finance model		■
Aligning finance activities to driving value		■
Driving forward commercial strategy		■
Acting as a change agent		■
Driving the people agenda		■
Analysis		
Providing decision support analysis	■	
Communicating financial information	■	
Effective project management	■	
Reducing costs	■	
Increasing revenue		■
Operations		
Managing cash and treasury operations	■	
Ensuring core financial processes undertaken	■	
Effective balance sheet management	■	
Achieving value for money		■
Championing financial operational excellence		■
Driving improvements in finance IT		■
Custodial		
Protecting business financial assets	■	
Effective internal controls	■	
Ensuring performance targets are achieved	■	
Ensuring the business is tax efficient	■	
Ensuring an effective capital structure		■
Ensuring the business manages its risks		■
Driving better returns on business assets		■
Regulatory		
Ensuring statutory regulations are met	■	
Management of the external audit relationships	■	
Management of banking relationships	■	
Ensuring tax regulations are met	■	
Ensuring governance requirements are met	■	
Ensuring good investor relations	■	
Championing corporate social responsibility issues		■

Skills in strategy

Prior to the economic crisis, a consensus across the CFO community was that time was better spent assisting their organisations with business strategy, and being a competent business partner to their organisation. In 2007, Deloitte research⁶ showed that CFOs aspired to spend less time as a scorekeeper (monitoring company results, meeting regulatory needs) and a commentator (providing board reports, information to investors and reporting forecasts) and more time as a business partner (participating in strategy development, M&A activity, proving indicators for better business performance). In favourable business conditions, this makes a lot of sense.

In the present environment, however, contribution to strategy is considered to add less value to organisations, and to be of a lower priority compared to other areas. More senior accountants are unlikely to have discharged all of their strategic responsibilities, but on balance there are probably less finance resources devoted to strategic projects presently, because of the greater focus on finance operations, and providing business information – short-term survival, rather than longer-term strategic planning. According to other ACCA research, many organisations are adopting a ‘wait and see’ approach to taking longer-term strategic decisions.⁷

Our respondents expressed a reasonably high degree of confidence that finance functions were effective in assisting with strategic decision making and in demonstrating effective finance leadership, however, there was less confidence expressed in other areas. Less confidence was expressed in the ability of accountants to build financial management capacity across the organisation. This is important, because businesses increasingly need people across operations with better understanding of finance issues and finance skills, even though they may have received no formal training as accountants. It is a reflection of the accountant’s wider remit as a change agent in the organisation.

Accountants should be visible in developing a culture across business that recognises the importance of financial understanding. This is particularly relevant in the current environment. Our research reported less confidence in the ability of finance to either shape the finance model, or align the activities of finance to driving value within the organisation. A successful finance strategy will correctly identify how the business creates value, and then will shape the finance model and align finance resources and activities with delivering this. This would suggest some finance operations and structures are currently sub-optimal.

As new business priorities emerge, the skills and knowledge that accountants bring to the business will be under review, however, our research suggests that finance could improve its skills in driving the people agenda. Today, finance functions and CFOs place greater recognition on the value of the skills and knowledge that accountants bring. This makes sense, because the profession’s value is knowledge based.

Many finance functions have invested considerable time and financial resources in setting up finance development projects and talent management programmes, and it is often deemed a priority for finance leaders and functions alike. The sentiment is right, but often fails at delivery stage – ACCA research has previously demonstrated large gaps between the training that is required by finance professionals and typically what is provided by finance functions. Highly valuable staff development techniques, such as coaching, remain an aspiration rather than a reality for most finance functions.⁸ Providing the right development activities and career opportunities is even more difficult where the priorities of finance functions are changing in response to a rapidly changing business environment. However, this is probably the most important thing to do – the skills of finance professionals are at the heart of our model for an optimal finance function.

Skills in analysis

The provision of good business analysis and information is where accountants can presently add most value to organisations, which reflects the business need for accurate and insightful information in a quickly changing business environment. Business leaders need information covering the full range of their operations, from the organisation’s exposure to currency movements, information and analysis on the organisation’s supply chain and logistics operations, risk exposure on investment decisions, the organisation’s liquidity position, its debt profile and so on. Business leaders want assurance from their finance partners, and need clear and full information to take the best decisions. Resources in finance will be devoted to calculating different scenarios to present to the business. The key point about the provision of information in prevailing trading conditions is that if accountants provide their businesses with analysis that is wrong, untimely or insufficient, this increases the likelihood of business decisions being taken that have detrimental and long-lasting consequences.

This deep insight into the business is the ‘financial lens’ that really good accountants give to organisations.

⁶ *What’s next for the CEO*, Deloitte 2007

⁷ *The CFO’s new environment*, ACCA 2009

⁸ *The coaching and mentoring revolution*, ACCA 2008

'it's not about the numbers.
It's about that financial lens on
decision making'

PARTNER, BIG FOUR

'A bad accountant will produce
... a set of numbers. A good
accountant will say there's a set of
numbers, use a bit of analysis and
[provide] a description of what it
means for the business'

**FINANCE DIRECTOR, VENTURE CAPITAL
FUND MANAGEMENT FIRM**

'The downturn in the economy has
been a big driver in rebalancing
the split between how much
backward looking information is
produced, and how much forward
looking analysis is now needed.
We use the forward looking
information not only for the
absolute outcome, but to look at
the trending outcome'

**FINANCE DIRECTOR, HOUSING
ASSOCIATION**

'the recession has taught us that
businesses perhaps weren't always
measuring the right sorts of things'

GLOBAL LEAD, BIG FOUR

In the current environment there is a greater need for forward looking information because of the uncertain and continually changing business environment. This represents a shift from what has been provided previously – the balance of reporting that accountants have provided has predominantly been historical.

An organisation's financial statements are based on what has occurred in the past. Much of the management information that has been produced in companies shows performance over the previous period, or like for like comparisons on the same period in previous years. Though this analysis has its place, what business leaders really need at the moment is forward-looking information, and much more refined business forecasting.

The other key change facing financial functions is that businesses are likely to be going through a period where they are re-evaluating their operating and financial metrics in the light of the new environment. Identifying the right performance indicators is crucial, and it is important to develop an acute understanding of how high the bar should be set in the context of current conditions. Accountants have a crucial role to play in not only measuring and reporting performance, but in devising the metrics framework that is most suitable for the changed business environment. To do this effectively, they must have a clear understanding of business strategy and its current priorities.

The stakes in helping develop the right frameworks, measuring the right metrics and reporting the right information have never been higher for accountants. Respondents indicated that accountants were effective in providing the decision support analysis required, and there was a similar level of confidence expressed in the communication abilities of finance professionals. Communication skills are vital, but are only part of the equation. Cost reduction was also identified as an area in which accountants were performing reasonably well – a major focus for organisations presently is reducing inefficiencies and removing costs completely, as well as working with commercial teams to spend money more wisely. McKinsey⁹ recently reported reducing operating costs as the highest short-term priority for finance functions.

An area of concern and one deserving immediate attention is the extent to which accountants do not feel they have the analytical skills necessary to help organisations increase revenue. This is more prevalent in larger operations but it is the area, alongside efficiency, most highly valued by organisations.

**What business leaders really need is forward looking
information, and more refined business forecasting**

Skills in operations

In the current climate, in many senses, respondents see the finance function reverting to its traditional remit and cite how important the management of operational finances is in the present trading climate. A refocus on keeping the finance fundamentals strong – strengthened balance sheets, debt reduction, closer cash management. The management of cash and treasury operations, and, more broadly, balance sheet management was cited by respondents as areas in which accountants are reasonably skilled and competent. These skills cut right across all organisations – holding sufficient reserves of cash, making money work most effectively and managing working capital are important.

Delivering successful supporting finance operations is critically dependant on effective finance IT systems, but respondents identified driving improvement in IT systems as an area requiring improvement, and finance professionals were felt to be less able in championing operational excellence. IT is typically a huge investment for organisations, so it makes sense for accountants to ensure that money is being spent in the most effective way. Further, and critically, accountants are also the end user and need superior systems to deliver what businesses require. How much time do accountants presently spend on reworking and importing information manually onto to spreadsheets before any value adding analysis can actually take place? Finance functions in leading organisations typically have a much greater involvement in working with IT departments to manage budgets and service level agreements. More generally, operational excellence in finance has been consistently shown to underpin the transformation that finance departments require to add value to their organisations and deliver increased shareholder value.¹⁰

'... What we've found is that they spend so much time producing the number ... and reworking and crunching it ... They collapse it into the meeting not even having thought what the number means ...'

PARTNER, BIG FOUR

'in the past we were looking at a higher return and you'd be looking less at the security of the financial institutions we deal with. Now the first point on CFOs mind is security of deposits and secondly then is the return'

DIRECTOR, GLOBAL FINANCIAL SERVICES

There is a present refocus on keeping the finance fundamentals strong – strengthened balance sheets, tight control over cash

Skills in custodial

The accountant's role as the custodian of the organisation's assets is important in the present environment. In the wake of the financial crisis, a key imperative for businesses is the effective management of financial, operational, business and regulatory risks. This is no surprise – between September 2007, and March 2009, the global economy lost US\$50 trillion in wealth. As a consequence, enterprise risk management is currently high on the corporate agenda as CFOs seek to re-establish a more detailed understanding of organisational exposure. ACCA's recent report on the CFO environment identified risk identification and management to be a major priority, and McKinsey¹¹ has recently reported similar findings. Businesses are much more cautious in the current environment.

However, our findings suggest there is less confidence that accountants have the necessary risk management skills, and this is probably a reflection of the fact that traditional approaches to managing risks have been found questionable in the face of the economic crisis. Prevailing risk management approaches have been criticised for being too compliance based and tick box approached, too silo based, and not linked to performance metrics.

¹⁰ *Mastering finance in business*, Deloitte 2007

¹¹ *How finance functions are changing*, McKinsey 2009

Enterprise risk management is placed high on the corporate agenda now

Accountants are responsible for balancing desired profit with acceptable levels of risk. To do this successfully they will need to understand the true risk profile of the organisation and develop a better understanding of the commercial operating environments in which their business operates, and the risks implied. The professional accountant will need to become better at quantifying risk, more able at communicating risk to senior management and valuing risk in the company's underlying transactions, and more skilled in developing new processes to identify and mitigate risk issues more quickly and effectively.

Accountants are also refocusing their efforts on internal financial and operational controls. Strong controls breed confidence across the organisation but, in the wake of the downturn, there is increased scrutiny across businesses, so it was encouraging to note that respondents to our survey felt accountants were skilled in this area. External auditors are now much more focused on the going concern issue – most financial reporting standards (for example, IFRS, national GAAP) require the company directors to satisfy the external auditors that the company will continue to be a going concern in the near future, so both internal and external accountants are scrutinising operational and financial risks much more closely. Assurance will be particularly required on the strength of balance sheets, cash positions, the debt profile of companies and its risk identification and management approach.

Skills in regulation

The economic crisis seems to have exposed current regulatory regimes to be inconsistent and, as a consequence, ineffective in a global business environment. A regulatory framework based on national standards does not work in a business world based on internationally connected capital markets. This fragmented approach has led to a system that is inadequate. Better regulation will be required in the future.

Though it is recognised that regulation is a vital cornerstone of an accountant's role, regulation is considered, in the present circumstances by our respondents, to be adding less value to organisations as accountants instead focus on helping the business survive. Respondents to our survey did, however, suggest that they believed their finance functions were more skilled in the regulatory area compared to the other domains of finance.

Over the last 10 years, the regulatory demands on finance functions have increased substantially, and have become much more specialised. This has resulted in finance functions devoting considerable resources and manpower to building up expertise and skills in specific areas of financial regulation. Our respondents identified a number of specific strengths of accountants, particularly in statutory reporting, management of the external audit relationship, and, interestingly, banking relationships. The biggest area of concern was in relation to corporate and social responsibility (CSR) issues, with only 40% of respondents rating the skills of accountants in this area to be quite or very strong. This is not an entirely surprising finding. For many finance professionals, CSR issues do not affect their day-to-day responsibilities, few requirements are presently mandated on organisations, but as more companies participate in voluntary reporting requirements, and there is more standardisation on how companies report, we believe accountants will begin to drive value by establishing formal frameworks for reporting CSR issues.

Earlier, we identified how organisations could build up a skills profile of a finance function by identifying the priorities of finance across the five domains, and identifying associated skill levels. Our previous analysis showed that in many organisations, accountants could add more value when their skills capability is aligned with the needs of the organisation, and where most value can be added.

However, even if the target skills model effectively aligns skills and capabilities with the domain areas in which finance is driving most value, our research suggests this is most likely to be successful if other key factors and characteristics are also in place. These critical success factors act as a catalyst for accountants in driving more value across the organisation. We call these the ‘finance function enablers’.

FINANCE FUNCTION ENABLER 1 – FINANCE INFLUENCE: HIGH-PERFORMING ACCOUNTANTS HAVE INFLUENCE, AND WORK IN INFLUENTIAL FINANCE FUNCTIONS

High-performing businesses are supported by high-performing finance professionals, and a key characteristic that supports high performance is the extent to which finance has influence across the business. Almost 60% of respondents suggested that finance being viewed as a ‘back office’ operation, and administrative by the rest of the business was a key barrier to professional accountants adding value. Of respondents 62% cited support from senior management and the board as a ‘must have’ characteristic.

In recent times, the sphere of finance has increased, but endorsement from the business has to be on merit and to do this, finance ultimately needs to be able directly to create value, both in the strict financial sense by improving profits and shareholder returns, and in the wider sense, by contributing to how the organisation innovates, how it meets customer needs, how the brand is seen and so on. The current challenges faced by business put finance in the spotlight, and therefore provide an open door for accountants to show how they can help organisations by identifying costs savings, introducing more effective risk practices and much better financial planning practices.

FINANCE FUNCTION ENABLER 2 – FINANCE STRATEGY

A clear finance strategy creates a clear picture of what is expected of finance professionals, and where they can add value to the organisation. If the organisation does not have strategic vision for finance, or the vision for finance is not aligned with the overall corporate vision, it will be much more difficult for accountants to drive value. When an organisation understands how it best creates value, it does so by identifying the drivers and sources of value creation, and an effective business strategy will align people, processes and systems in order to achieve this. If finance structures do not support the business strategy, accountants will not add value to the organisation in the desired way.

A good finance strategy recognises where finance should direct its resources; it enables the CFO to identify a target operating model for finance, and where it should direct people, processes and systems. A good finance strategy also brings greater clarity to the role accountants are expected to perform, and helps to remove duplicating activities. In our research, respondents cited poor alignment of finance structures with the business as a major problem and barrier to accountants driving value in their organisation. Part of the problem is often transparency because finance is unsure what the business wants, and the business is not sure what finance can

‘You don’t want them (the business) just to want you because you gave them the right information, it’s because you put the financial lens on that information, and they see the value of that’.

PARTNER, BIG FOUR

‘When I joined the organisation three of four years ago, there was a dearth of data, despite the fact that we were working very hard to collect the data, it wasn’t particularly relevant, it wasn’t data that enabled the business to decide whether it was going in the right direction. We were gathering data and doing nothing with it, and sometimes we were gathering the wrong data. The systems are now paying dividends in terms of how we manage incomes and costs, but also in terms of how we manage our human capital in terms of what people are doing, how their days are structured’

FINANCE DIRECTOR, HOUSING ASSOCIATION

deliver – what do the accountants do? How do they contribute to value creation? How many organisations really understand the cost of finance people, systems and processes? Leading CFOs and finance functions recognise that the finance model and shape of finance must be aligned with business needs.

In developing a strategy for finance and building up a plan for finance that will support accountants in driving value across businesses, some key questions need to be considered.

- What is the value creating objective of the business?
- Where and how can finance best contribute to supporting the business in value creation?
- How capable is finance in delivering these objectives presently?
- Can we measure where we are now against specific metrics?
- Can we measure where we want to be against specific metrics in the future?
- What new metrics are required to measure success?
- What actions are necessary to close the gap?
- Is a new structure – people, process, systems – required?
- What operating model for finance will best deliver these results?

FINANCE FUNCTION ENABLER 3: FINANCE LEADERS

Good finance leaders make a big difference to successful delivery of the finance strategy, supporting the wider business strategy and making sure finance has credibility at the board level. Poor finance leadership was cited by 41% of our respondents as a key barrier preventing accountants from adding greater value to the organisation – 61% of respondents to our survey rated the finance leadership in their organisation to be good or very good, which is encouraging.

In our survey, having an effective finance leader was rated as the single most important characteristic of effective finance functions. Strong finance leaders generate trust inside and outside the organisation. They build influence and consistently exceed expectations. ACCA recently reported that finance leaders are receiving more recognition, are perceived to be more valuable and receive more support in the boardroom. Not receiving sufficient support in the boardroom was identified by respondents to be the fifth highest barrier in preventing finance professionals from adding value, and 62% of respondents felt support from the board was a ‘must have’ characteristic.

FINANCE FUNCTION ENABLER 4: FINANCE IT

Investing in and leveraging IT enables accountants to add value to businesses in a much more effective way. Particularly in the current climate, accountants need to be able to prioritise information, and to rework and extrapolate data quickly.

Accountants will be increasingly involved in establishing business requirements for investment in IT, and working with consultants to define system requirements. Having a multitude of views with one underlying consistent data set will be increasingly important. The challenge for many organisations is that instead of business needs driving IT solutions, IT has driven what the business has been provided with, or a multitude of different systems have been acquired into the business as part of ongoing operations. In developing the right technology, businesses and accountants needs to be clear about system specification and outputs. Once delivered, how can the systems be used in the most effective ways? Too often, systems are over elaborate, and over-engineered. Of respondents 38% identified ineffective finance IT systems as a key barrier preventing accountants from adding value. Good IT means more confidence in the numbers, and less time spent generating them in the first place.

“half the time they (finance professionals) have gone into the meeting not being 100% sure the number’s right.....so they’re quite nervous as it is.....as opposed to them being sure the number’s right and then the analysis is rock solid in terms of what it means”

PARTNER, BIG FOUR

The optimal finance model

The previous analysis allows us to build up to the final key question which often prevails in the minds of CFOs and financial directors. What does the optimal finance model for my business look like? Earlier we identified how the nature of the business and the external environment in which it operates directly shapes and influences the optimal finance solution to enable accountants to deliver most value – different businesses will have different needs and make different requirements of their finance function and their finance professionals. We have also considered how important certain characteristics of the finance function itself are in enhancing the value that accountants can possibly provide to the organisation. And we have looked at these issues from the perspective of the individual finance professional – how and where can the accountant add value to their organisation.

In this sense, at the heart of an optimal model for finance functions are the value-driving capabilities that accountants hold. An optimal finance model can not be delivered if there is some imbalance between where value is created and where skills are held, if they are held at all. There must be a direct link between these two factors. The areas where finance professional can drive most value in their organisations can be reflected in the target operating model for finance.

When we start to bring all of these factors together, we can begin to build an optimal finance model based on a three-step framework.

A THREE-STEP FRAMEWORK TO IDENTIFYING AN OPTIMAL FINANCE FUNCTION

In developing an optimal finance model for a particular organisation, the three core factors to consider are as follows.

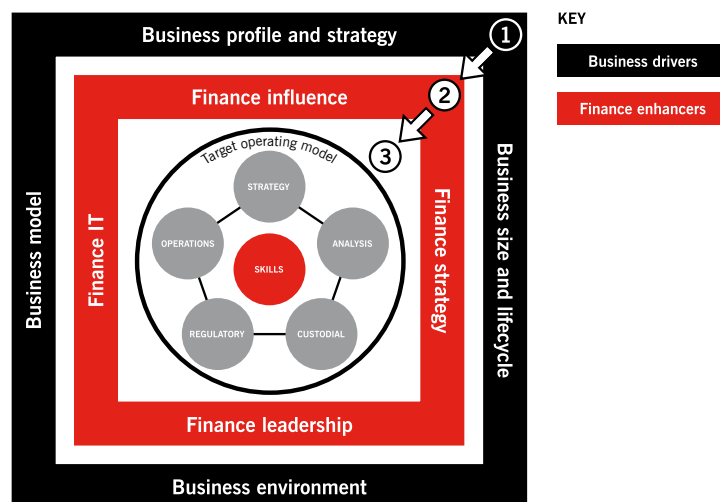
Step 1: The business factors – how does the nature of the business shape the five domain priorities of finance, and where accountants can add most value.

Step 2: The finance function enablers – what characteristics of the finance function can be developed to enhance delivery of value.

Step 3: From Step 1 and Step 2 – what are the implications for the target operating model for finance and, therefore, the skills profile that is required of accountants – what is the current state in terms of skills and competencies, and what is the required state?

At the heart of an optimal model is aligning the resources, skills, experiences, knowledge and competences that finance professionals hold with the areas where finance professionals can drive most value in their organisations

CHART 6: THREE-STEP FRAMEWORK FOR BUILDING AN OPTIMAL FINANCE MODEL



Delivering the optimal finance model – people investment

In our analysis we have shown how business factors can influence the delivery and shape of an optimal finance model. We have also shown the importance of certain characteristics of finance functions – the finance function enablers, which are key to optimising value. Both of these attributes directly influence and drive the target operating model for finance, at the heart of which is the skills, competencies and knowledge that finance professionals hold.

The key to optimising value is effective investment in key finance roles and capabilities. In our model of finance capability, investment in skills, competencies and knowledge is at the very heart of finance driving value.

We asked respondents which were the key priorities in achieving effective investment in people, and they cited a number of key priorities. The most important requirement is to have a clear learning and development strategy, which needs

to be closely supported by a competency framework across finance documenting the skills, knowledge and behaviours expected of finance. Also cited as important were mentoring programmes, rotation or secondment programmes, and leading reward and compensation packages. The key learning point here is that organisations must continue to invest in a wide range of development opportunities to continue to develop skills capability.

CHART 7: 'MUST HAVE' FEATURES OF TRAINING AND DEVELOPMENT PROGRAMMES



Examples

Using the previous framework we have identified, we should be able to build up an optimal finance model for different businesses, using the five domains of finance at the heart of the model. Some examples of how this may work in practice:

EXAMPLE 1: SMALL RETAILER

A small retailer, with a limited geographic footprint, high cost base and small gross margin, and relatively simple finance operating processes, small finance team.

Five domains of finance	Required state skill profile		
	High	Low	
Strategy		■	Limited strategic options owing to size of organisation, low complexity of business, few finance staff, simple finance model
Analysis	■		Different products, different price points, but limited supply chain, low volumes, limited finance projects
Operations	■		Low margin, relatively high cost base, cash based, transaction processing
Custodial		■	Control framework reasonably simple, simple capital set up, reasonably low risk profile, simple performance targets
Regulatory		■	Limited statutory requirements, straightforward tax operations, limited CSR and investor relations

EXAMPLE 2: PUBLIC SECTOR

A public sector body which employs a large number of finance staff across multiple locations, more complex operating processes whose key objective is value for money.

Five domains of finance	Required state skill profile		
	High	Low	
Strategy		■	Limited strategic options, limited requirements for alternative finance models but need to align finance activities to value
Analysis	■		Complex cost base, complex value for money analysis, many finance projects across multiple internal stakeholders
Operations	■		Large finance operations, challenging IT infrastructure, cash positions important
Custodial	■		Performance targets key, control framework important, high risk of ineffective spend
Regulatory		■	Some regulation, wide stakeholder engagement, social responsibility important

EXAMPLE 3: GLOBAL OIL COMPANY

A large global oil organisation, which employs a large number of finance staff across multiple international locations, an outsourced finance shared service operation, retained finance function, high margin and highly regulated business.

Five domains of finance	Required state skill profile		
	High	Low	
Strategy	■		Complex strategic options, finance model key to delivery, strong finance leadership required. People capabilities key, finance as a change agent
Analysis	■		Retained finance function, highly complex organisation, multiple finance projects, high pressure information driven environment
Operations		■	Transaction processing outsourced, high margin business, cost base less important
Custodial	■		Complex performance measurements, key control framework sophisticated, managing risks vital, wide asset risk
Regulatory	■		Massive regulation, complex tax affairs, complex investor relations

Conclusion

Accountants increasingly add value to businesses in much broader ways. Whilst accountants may be drawn from a range of sectors, geographies, organisational size, internal roles and as external advisers, there is a core set of skills and attributes around ethics, integrity, risk, value protection and creation which no other profession can imitate.

The business and economic environment has undergone significant change over the last decade and this is set to change fundamentally over the next few years. There is now an open door, a golden opportunity for accountants to drive the agenda for business, however, this will require another level of skills capacity which will need to be applied dynamically in tune with the business and its environment. Organisations can extend the value that accountants deliver by ensuring finance functions exhibit a number of enabling characteristics commonly found in leading organisations. The business environment and characteristics of the finance function will shape and determine the optimal target operating model for finance for a given business. At the heart of this model should be the alignment of skills, knowledge and competences that finance professionals hold to where most value can be driven.

We urge organisations to use this report as a means of expanding their understanding of what accountants can offer.

Appendix 1: Case study provided by PricewaterhouseCoopers (PwC)

BACKGROUND: THE PROBLEMS THE FINANCE FUNCTION WAS HAVING/HOW IT WISHED TO IMPROVE

Our client is a leading global publisher of books and journals.

The company had grown significantly in the past through acquisition, however, it had not sought to fully integrate and standardise the back office support functions, eg finance, at the time. After acquisition, the businesses were run on a fairly autonomous basis with a light touch from the corporate centre.

As a result of cost and efficiency pressures, the client embarked on a move towards a 'one-company' operating model, with increased standardisation and simplification of back office functions across the group.

The company had commissioned a benchmarking review of the finance function. This review confirmed the lack of standardised processes and systems resulting in complex and costly infrastructure. It also highlighted a lot of finance personnel were spending too much time producing, manipulating and 'crunching' the numbers as opposed to being the business partner they aspired to be.

Developed from existing long-term relationships between PwC and the company's senior finance team, the client asked PwC for support in designing and implementing an improved finance model.

Based on data from this review PwC identified a number of opportunities to improve the cost and efficiency of the finance function and also to enhance the quality of service to the business.

HOW PWC WORKED WITH THE CLIENT TO IDENTIFY THE ISSUES AND WHAT SOLUTIONS PWC DEVELOPED WITH THEIR CLIENT INCLUDING THE PROCESS IT WENT THROUGH

PwC's approach to identifying the issues and the appropriate solution always involves working with the client as part of a joint project team. We have a proven methodology for helping a client undertake a finance change or transformation project and this was applied here. The client derived considerable benefit from the framework and structure this provided.

The solutions PwC developed with the client were as follows:

- **Creating a clear baseline.** PwC used the findings of the independent benchmarking review to gain a better understanding of the current situation and issues.
- **Articulating the case for change** with the client to help get buy-in for transforming finance. This was presented along with the vision below to a gathering of the global finance community and received positive endorsement. The finance function was ready for change.

- **Developing an overall vision** for the desired finance function and articulating what that looked like in terms of guiding principles around the key areas of the finance operating model – organisation, processes, systems and sourcing.
- **Defining a five-year roadmap** to get the client from the current baseline to their vision. The roadmap was completed bottom up and top down so that it reflected not only the guiding principles but also the requirements of the business unit finance teams who would need to own and drive a lot of the change.
- **Realising the benefits quickly.** The first elements of the new target operating model to be designed and implemented were focused on the efficiency of transaction processing. This was in order to realise benefits as quickly as possible and free-up resources for the other elements of the transformation eg business partnering. This included evaluating different sourcing options/models including shared services, offshoring and outsourcing, and the different ways to achieve them.

The implementation of the new finance target operating model is ongoing and on-track to deliver the benefits in terms of efficiency, control and service.

One of the fundamental elements of PwC working with a client on a project such as this one, is the desire to ensure the solutions are sustainable long after we leave – 'making change stick'. Measures to ensure this were as follows.

Focusing on the benefits and how they would be identified, validated and tracked

Example: PwC worked with the finance teams across the group and divisions to come out with the Outsource vendor selection criteria, which focused on business benefits.

Ensuring there was client involvement at all stages – from identifying the pain, to the potential vision to solve it and then communicating it clearly.

Example: We conducted a stakeholder analysis and proposed a communication strategy to cope with potential resistance during the outsourcing transition and beyond.

Giving the project leaders the skills and the support to lead and making sure systems, processes and culture reinforce the change.

Example: PwC prepared key staff to lead the process of outsourcing, providing them with support and coaching whenever appropriate. In addition, we worked with the senior management team to establish the retained organisation structure, define its governance model, review existing job descriptions and create new roles.

REFLECTION ON THE SKILLS AND KNOWLEDGE PwC ADVISERS/CONSULTANTS NEED TO ADD VALUE TO THE CLIENT

There were a number of different aspects of skills and knowledge that PwC consultants and advisors provided to facilitate a successful transformation project for the client, none more important than the ability to listen to the client and asking them the right questions. In addition the PwC consultants demonstrated the following skills/knowledge.

- Leadership of the project jointly with the client and the project office.
- Deep technical skills and subject matter expertise around areas such as finance vision, business case, target operating model (organisation, processes, systems architecture) and transition roadmaps. In doing so PwC drew on our experience of good practices employed by other leading organisations.
- As outlined above, the aspects of successful change management, stakeholder management and communications. This included facilitation and negotiation skills.
- Market and industry knowledge including understanding of the outsourcing market and its vendors.
- Relationship building.

CHALLENGES COMMONLY FACED AS EXTERNAL ADVISERS/CONSULTANTS

Challenges come in different forms and every project or client will face different issues. PwC had to overcome some of the challenges outlined below to improve the chances of a successful transformation. The typical challenges could include:

- lack of buy-in to the proposed project and resistance to change
- getting sufficient senior executive sponsorship
- poor communication across the organisation
- lack of internal resources from the client preventing them from owning the project
- very tight deadlines
- the need for tangible benefits to be delivered early in the project
- recognising the need to get people bought into the change and how to do it effectively.

Appendix 2: The finance roles that add most value

Through our research we sought to identify the most important finance roles that add most value to businesses currently – how do they directly add value to organisations, and what skills and knowledge do the roles require?

THE FINANCE ROLES THAT ADD MOST VALUE (survey results)

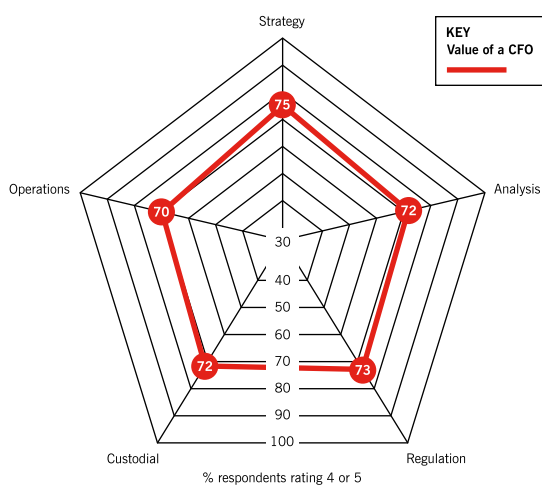
- 1 Chief financial officer
- 2 Financial controller
- 3 Management accountant
- 4 Financial accountant
- 5 Head of risk management.

1 THE CHIEF FINANCIAL OFFICER

Where does the CFO add most value?

If we consider the role of the CFO across the five domains of finance as previously outlined, our research suggests that the CFO is considered to be adding value to their organisations almost equally across the five areas. This is strong evidence that the role of the CFO in the present environment cuts right across the organisation, and right across the all finance areas. They are focused on short term survival, navigating the business through the economic turmoil, ensuring the organisations finance operations are strong, and making sure custodial issues – its controls framework, the protection of the businesses assets, its capital structures are effective. However, they recognise the continuing importance of strong regulatory controls, and maintaining investor confidence and relations. They continue to balance these demands with steering organisational strategy, and ensuring finance provides the analysis and information the business require.

How much value does the CFO add in the five domains in the present environment.



The top 10 activities that add most value

From our survey, finance leadership was identified as the strongest value driver across the business, reflecting the relevance and importance of CFOs being able to demonstrate superior leadership skills at this time. The CFO is also considered to add a lot of value in supporting the business to make better strategic decisions at this time, and by ensuring financial information is communicated to all relevant stakeholders. Whilst contributing to the strategic decision making process, however, the CFO is still expected and is deemed to add value in regulatory, custodial and operational areas. Managing the audit and banking relationships was identified as very important – the auditors can provide assistance and an independent support to CFOs in the present environment, and the success of banking relationships is key in ensuring the business had sufficient funding, and regulatory requirements must still be met. The other key focus is on driving value in the business – making sure operational finance is effective, ensuring finance projects are still being delivered, identifying how finance is contributing to driving shareholder value, and at this time, in view of the changing business environment, CFOs will have one eye on re-shaping the finance model so that it is fit for purpose in the future. This is however, likely to be more of a medium term priority. The short term focus is survival.

The top 10 activities that add most value

- 91% Providing effective finance leadership
- 86% Strategic decision making
- 82% Communicating financial information
- 80% Ensuring statutory accounting obligations are met
- 78% Managing relationships (banking and audit)
- 78% Ensuring governance requirements met
- 78% Champions financial operational excellence
- 78% Shapes the finance model
- 78% Links finance activities to drive shareholder value
- 78% Ensures the effective management of projects

Business skills

Leadership skills were identified by respondents as the most important business skills that CFOs could hold in the present environment. This is entirely consistent with the finding above that CFOs presently can add most value to their organisations through strong effective finance leadership. Strategy skills and communication skills were also identified as very important in helping the CFO add value. As noted above, the CFO is still focused on supporting the business in its strategic decision making, and the right communication to different stakeholders to provide assurance is going to be very important. Analysis

skills and change management skills were also felt to be very relevant – the new operating environment means that CFOs will be continually reviewing business performance and trying to understand the implications of the numbers. As the operating environment is continually changing, it seems logical that being able to manage this change effectively will be important.

The most important business skills for CFOs

- 79% Leadership skills
- 61% Strategy skills
- 51% Communication skills
- 40% Analysis skills
- 37% Change management skills

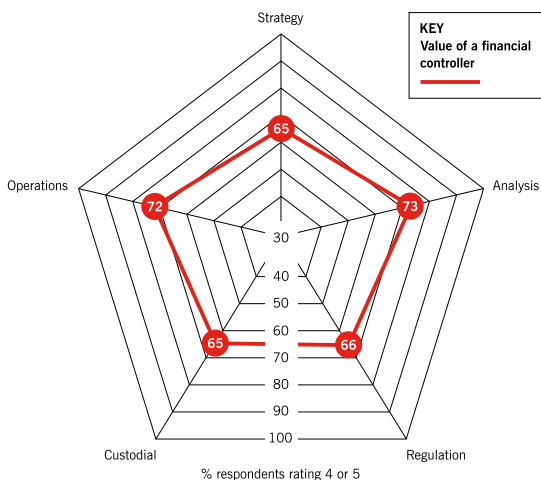
2 THE FINANCIAL CONTROLLER

Where does the financial controller add most value?

The financial controller sits at the heart of the organisation's financial system. The financial controller is usually responsible for all financial control aspects of the organisation, as well as involvement in reporting operations, decision support, and business performance management. Typically they provide a link between the senior board, and the rest of finance.

In our survey, the financial controller is seen to be adding value at a reasonably high level across the five domains, rather similar to the profile of the CFO. However, respondents felt that there were two areas in which the financial controller was adding more value – in operations and analysis. The provision of insightful financial analysis is deemed by our respondents to be a highly important feature of the financial controllers present role, as the business seeks to understand how it has performed, and how it is likely to perform in the near future. The financial controller is balancing the requirements of providing the right information to the business along with making sure finance operations are working strongly. Overall financial controllers are deemed to be adding slightly less value in strategic, regulatory and custodial areas in the present environment.

How much value does the financial controller add in the five domains in the present environment.



The top 10 activities that add most value

From our survey, financial controllers can add most value to their organisations in the present environment by providing the business with the right decision support analysis and ensuring that the core financial processes are undertaken effectively across the business. Again, in providing the right analysis to the business, effective communication of financial information was seen to be key, as was continuing to ensure finance projects were delivered effectively. Strong operational management was identified as a core value driver, so according to our research financial controllers should also be focused on strengthening routine processes where they can, and having a clear view on the balance sheet position and working capital. The role of the financial controller in the production of the statutory accounts, and in strengthening internal financial and business controls was also deemed to be key.

- 84% Providing decision support analysis
- 84% Ensuring core financial processes are undertaken
- 83% Ensuring statutory accounting obligations met
- 82% Effectively communicating financial information
- 81% Providing effective finance leadership
- 79% Strengthening internal controls
- 78% Ensuring the effective management of projects
- 78% Ensuring effective management of external audit
- 78% Ensuring effective bs management and cash operations
- 77% Championing financial operational excellence.

Business skills

Analysis skills were identified as the key skill that financial controllers required presently because of the business need for strong robust and reliable information. Communication skills again were cited as highly relevant – it is of little value to a business if effective analysis is undertaken, but the message can not be conveyed effectively. Given the relative seniority of the financial controller role, respondents felt effective financial controllers in the current environment needed strong leadership skills. As business complexity has increased the role of the financial controller in many businesses has become more complex, and in the context of the current environment, respondents felt problem solving skills were highly relevant. So too ethics skills – the current environment requires financial controllers to be very principled ethically – the present environment suggests an increased risk.

The most important business skills for a financial controller

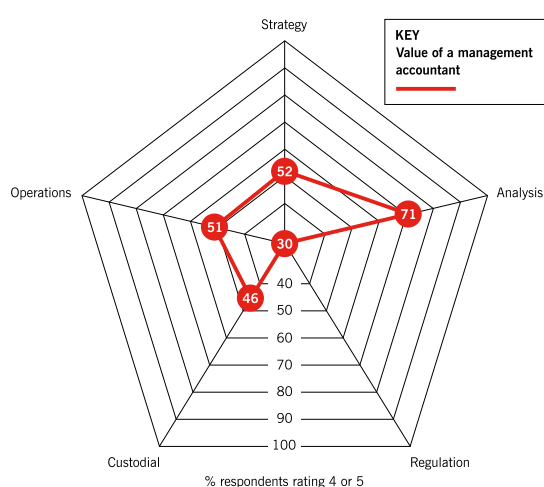
- 66% Analysis skills
- 58% Communication skills
- 51% Leadership skills
- 43% Problem solving skills
- 27% Ethics skills

3 THE MANAGEMENT ACCOUNTANT

Where does the management accountant add most value?

In a corporate business, the management accountants play a key role in its management – typically they support financial controllers in producing the management information required for decision making, and also enable the business to understand how it has performed historically. Key remits include profit and loss, and balance sheet analysis. Financial planning and business forecasting are also a key part of the management accountants role.

The profile of the management accountant, and where they add most value to their organisations in the current environment is very different to that of a CFO or a financial controller. By a considerable margin, respondents felt management accountants would add most value to their organisations in the present environment through the analysis provided in the management information. There was a general sense from our survey that management accountants were providing some value to their organisations strategically (this was mainly through helping with strategic decision making), and through finance operations. There is much less focus for the management accountant in custodial areas, and regulatory areas, though this is more of a reflection of the role many management accountants perform.



The top 10 activities that add value

The key focus for management accountants, as with financial controllers, is to support organisations and drive business improvements by providing insight and analysis. As with financial controllers, management accountants are adding value to their organisations by providing and communicating the right business information, but importantly respondents felt that they could also be driving value in their organisations by identifying areas where costs can be reduced, and again, ensuring finance projects were being successfully managed. The management of performance targets was also seen as key, so management accountants should be providing regular updates to business units and the board on performance against key business metrics, as well as continuing to ensure their normal regular reporting processes occur as required.

- 86% Providing decision support analysis
- 78% Effectively communicating financial information
- 74% Ensuring the effective management of projects
- 73% Helping reduce costs
- 69% Aiding strategic decision making
- 66% Ensures performance targets are achieved
- 61% Ensures core financial processes undertaken
- 59% Achieves value for money
- 58% Builds financial management capacity
- 78% Aligns resources to service outcomes.

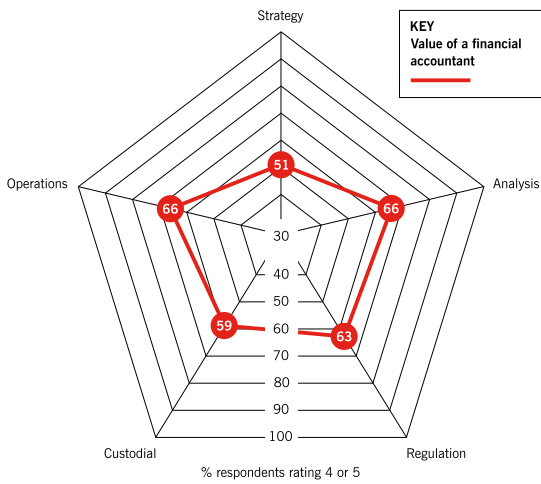
Business skills

As with financial controllers, analysis skills were identified as the key skill that management accountants require in the present environment. Again, communication skills were also identified as key. Again, the complexity of some business operations is making the role of the management accountant more complex, so problem solving skills are considered important. Presentation skills and IT/data skills were also identified, as management accountants seek to rework and remodel different business scenarios and present to business partners or senior management.

4 THE FINANCIAL ACCOUNTANT

Where does the financial accountant add most value?

The financial accountant is critical to the external face of the organisation, because typically they are responsible for producing the financial statements or statutory accounts relevant to specific prevailing legal requirements. The objective of financial statements is to provide information about the reporting entity's financial performance and financial position. They are used by an increasingly wide range of stakeholders to assess the stewardship of the entity's management and for making financial decisions, and to check that the company is financially sound and sustainable. It should be noted that potential shareholders, and financial investors are not the only stakeholder – the financial accountants is producing this information for a much broader audience, such as banks and other capital lenders who will be interested in its capacity to lend money to the organisation, suppliers and trade creditors interested in whether the organisation can pay its supplier, customers who have a vested interest in whether the organisation is a going concern, employees who want to know their jobs are secure. It is quite possible financial accountants will work with more specialise tax accountants to produce the tax computations, tax and double tax reliefs, R&D tax credit regimes. Capital allowances and so on and work with governments and their agencies not only for the purposes of tax receipts, but more generally for regulatory compliance reasons.



In our survey, the financial accountant is considered to be adding value at a reasonably equally across the five domains, and the profile is not dissimilar to the financial controller in terms of where value is added. Perhaps surprisingly, our research indicates that financial accountants are driving slightly more value in operations and analysis than in regulatory areas, however this is a reflection of current priorities in many businesses, but also poor scores were recorded for regulatory areas such as championing social responsibility issues and improving investor relations, the latter of which is of some concern. In other regulatory areas, financial accountants were deemed to be adding considerable value to their organisations.

The top 10 activities that add value

- 82% Ensuring statutory accounting obligations are met
- 80% Effectively communicate financial information
- 77% Ensures core financial processes undertaken
- 76% Provides decision support analysis
- 74% Strengthens internal controls
- 74% Ensuring effective management of the auditors
- 73% Ensuring tax regulations are met
- 70% Ensuring effective balance sheet management
- 69% Effectively managing cash and treasury
- 68% Champions financial operational excellence.

The priority for financial accountants, even in the present climate, according to our research is to ensure the statutory accounting obligations of the organisation are met. Again we see the effective communication of financial information as being highly important, and again there is a strong sentiment that financial accountants are providing relevant and useful information to their businesses. As would be expected, there is a strong statutory feel to where they are driving value, managing the external auditors effectively, and ensuring tax regulations are adhered to. Our analysis would also suggest some involvement of financial accountants in the management of balance sheet and cash.

Business skills

There is a high degree of similarity between the skills required by financial accountants and management accountants presently. The top three skills identified were identical, so again respondents felt that good analysis skills, communication skill and problem solving skills were important traits for financial accountants to develop. Ethical skills and leadership skills were also noted.

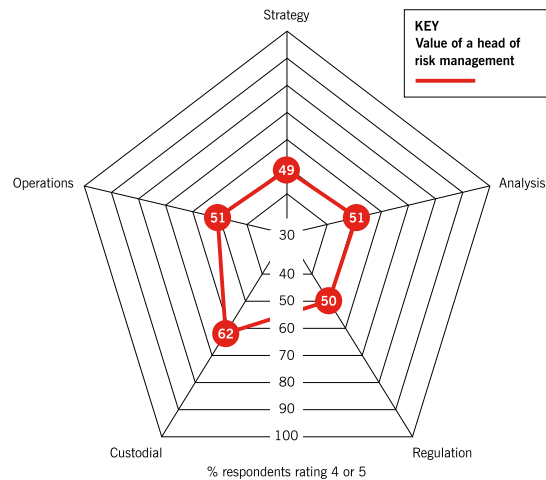
The most important skills for a financial accountant

- 64% Analysis skills
- 57% Communication skills
- 44% Problem solving skills
- 36% Ethics skills
- 32% Leadership skills.

5 HEAD OF RISK MANAGEMENT

Where does the head of risk management add most value?

The head of risk management is increasingly a high profile role within many organisations – increased business complexity, and more regulation is driving businesses to adopt a broader enterprise risk management processes across the organisation, encompassing strategic, operational, financial and business risks. In the current economic climate, managing risks effectively is critical for many businesses.



The priority for risk managers in terms of where they add most value is in custodial areas which is expected because this is where the focus of risk management activities are. Risk managers do add value across the other domains of finance, but their influence is less.

The top 10 activities that add value

- 92%** Ensures the organisation manages its risk
- 79%** Protects the organisation's financial assets
- 76%** Aides strategic decision making
- 75%** Ensuring governance requirements are met
- 74%** Strengthens internal controls
- 73%** Provides decision support analysis
- 70%** Acts as a change agent
- 59%** Improves investor confidence and relations
- 58%** Ensures the effective management of projects
- 57%** Ensures core financial processes are undertaken.

Ensuring the organisation manages its risk was, understandably, the key priority for the head of risk management. There is a strong custodial aspect to their role, and this is where respondents feel they add most value presently – protecting the organisations financial assets, and strengthening internal business and financial controls. The risk manager is deemed to contribute quite highly, in the present environment to strategic issues, which is a reflection of the extent to which

risk management issues currently prevail on the board agenda – linked to this, we see the risk manager as important in providing decision support analysis to senior management at this time.

Business skills

Again, a lot of similarity to the business skills identified as most important in other roles. In the present environment, our respondents identified analysis skills and communications skills as very important to the role of head of risk management. Strategic business skills were also felt to be relatively important as the risk managers work with senior management to better understand the risk profile of the organisation in the current operating environment.

- 57%** Analysis skills
- 45%** Communication skills
- 41%** Strategic business skills
- 31%** Ethics skills
- 30%** Business culture skills.

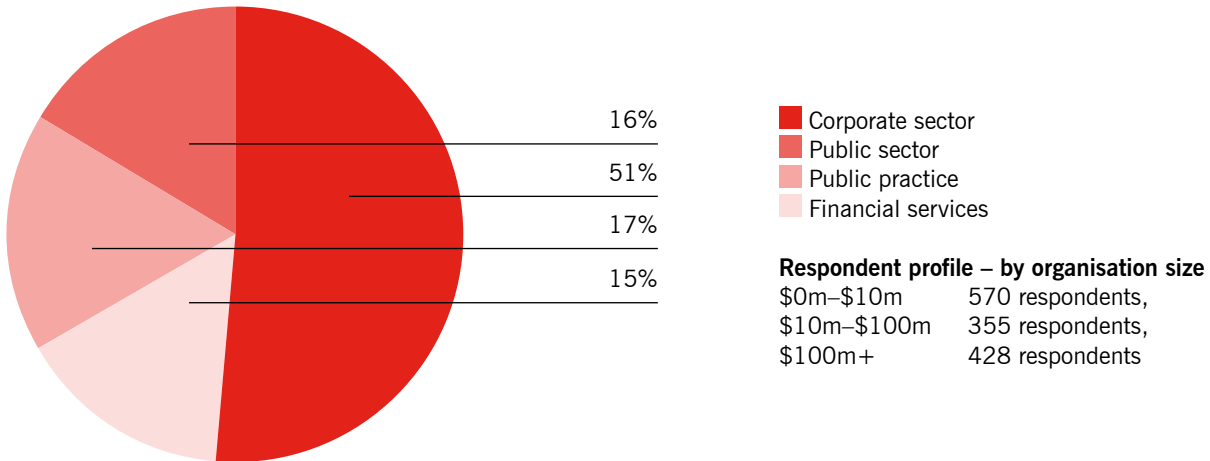
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Research methodology

The research was conducted via a quantitative online survey with 1353 ACCA members responding from over 170 countries. This was supported by one to one interviews with a range of senior finance professionals and external business advisers plus a review of relevant research and material.

RESPONDENT PROFILE – BY SECTOR



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