

# INSIGHT

Five minutes on ...

**Accountants for business**

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## Accountants for business

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.

ACCA's latest Insight report, *Accountants for business*, as part of its Managing Human Capital programme, considers 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.

[www.accaglobal.com/mhc](http://www.accaglobal.com/mhc)

## How do accountants add value?

Our 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.

TABLE 1: THE FIVE DOMAINS OF FINANCE	
<b>Strategy</b>	Identifying business strategies, driving change, shaping the finance model, providing finance leadership
<b>Analysis</b>	Decision support, management accounting, performance management, project finance, budgeting and forecasting
<b>Operations</b>	Transaction processing, managing balance sheets, working capital, cash, driving finance IT improvements
<b>Custodial</b>	Establishing internal controls, developing an effective capital structure, managing organisation risk, minimising tax
<b>Regulation</b>	Managing regulatory responsibilities, statutory reports, meeting governance requirements, investor relations, CSR

## Where do accountants add most value?

Our research suggests that in the present climate, accountants will add most value to their organisations in two areas:

- 1 Analysis – being able to apply the ‘finance lens’ – providing the business with deep insightful analysis to enable it to make superior decisions.
- 2 Operations – a re-focus on the ‘finance fundamentals’ – 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.

There is less focus on longer term strategic issues and regulatory requirements are not seen to be particularly value adding presently.

CHART 1: WHERE FINANCE ADDS MOST VALUE, PRESENTLY



**“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**

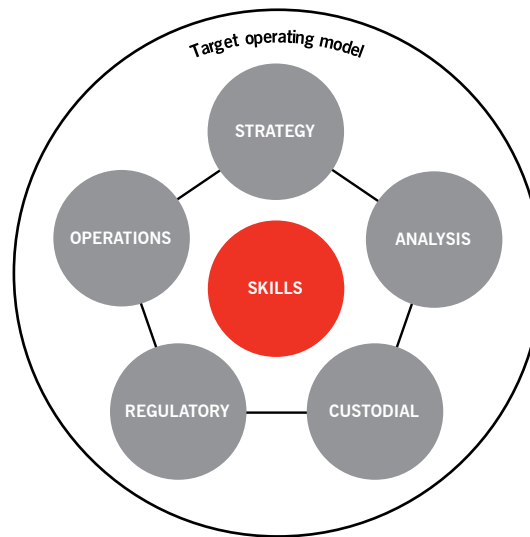
## Delivering value: correlated skills

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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 should drive the target operating model for finance. The 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.

**CHART 2: 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 can be used to identify where finance adds most value and drive a map of the skills across finance

## Enhancing value

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How can accountants and finance functions enhance the value they provide their organisations? We call these the **finance function enablers**. Good finance functions aspiring to be great finance functions typically exhibit these characteristics.

### **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. It breeds confidence in the numbers and enables one global data view.

## Shaping an optimal model for finance

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We can begin to shape an optimal model for finance once we also recognise the importance of the business environment – a connection not always made. The key 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.

## Bringing it all together – the three-step process to developing an optimal finance model

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

A THREE-STEP FRAMEWORK TO IDENTIFYING AN OPTIMAL FINANCE FUNCTION	
<b>Step 1</b>	The business factors – how does the nature of the business shape the five domain priorities of finance, and where accountants can add most value?
<b>Step 2</b>	The finance function enablers – what characteristics of the finance function can be developed to enhance delivery of value?
<b>Step 3</b>	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?

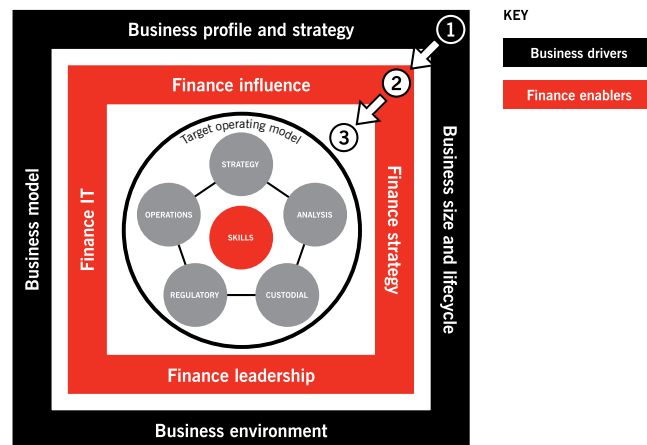
## Delivering the optimal finance model – people investment

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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.

**In our optimal model of finance capability, investment in skills, competencies and knowledge is at the very centre – skills and capabilities must be aligned to where finance can drive most value.**

**CHART 3: THE THREE-STEP FRAMEWORK FOR BUILDING AN OPTIMAL FINANCE MODEL**



## Want to know more?

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To access the full report, and obtain further details of ACCA's Managing Human Capital conference and research programme, which provides practical advice to employers on recruiting, developing and retaining finance staff, visit [www.accaglobal.com/mhc](http://www.accaglobal.com/mhc)

Alternatively, for more information and wider resources on ACCA's *Accountants for business* theme, visit [www.accaglobal.com/accountants\\_business](http://www.accaglobal.com/accountants_business)