

COMPETENT AND VERSATILE

How Professional Accountants in Business Drive Sustainable Organizational Success

IFAC
International Federation of Accountants

KEY MESSAGES

Competent and Versatile: How Professional Accountants in Business Drive Sustainable Organizational Success aims to support the global accountancy profession in responding to changing expectations of society, financial markets, and organizations, and to promote and contribute to the value of professional accountants in business to their organizations.*

It does this by:

- Reviewing significant macroeconomic and societal challenges. Key challenges include moving to a model of sustainable economies and corporate responsibility where organizations pursue a more sustainable and ethical path; balancing the need for compliance with the need to remain competitive within an increasingly global economy; and the long-term affordability and accountability of public services.
- Defining the main drivers of long-term sustainable organizational success. These provide a basis for the expected key areas of competency for professional accountants that are intended to guide the global accountancy profession toward facilitating sustainable organizational success through the education, training, and development of professional accountants. This is a demand-driven approach to considering the necessary development of professional skills and competences among professional accountants.
- Explaining how professional accountants can broadly be categorized as creators, enablers, preservers, and reporters of sustainable value for their organizations, and the wide scope of their activities in organizations can be better promoted by the profession.
- Highlighting the importance of the professional accountant's mindset that needs to embrace:
    - professionalism and ethical behaviour;
    - professional judgment;
    - an investor and wider stakeholder focus;
    - organizational and environmental awareness; and
    - change, uncertainty, and complexity.

* Hereafter, the term *professional accountant(s)* will be used to refer to professional accountant(s) in business.

IFAC'S MISSION

IFAC's mission is to serve the public interest by:

- contributing to the development, adoption, and implementation of high-quality international standards and guidance;
- contributing to the development of strong professional accountancy organizations and accounting firms, and to high-quality practices by professional accountants;
- promoting the value of professional accountants worldwide; and
- speaking out on public interest issues where the accountancy profession's expertise is most relevant.

The Professional Accountants in Business (PAIB) Committee serves IFAC member bodies and professional accountants worldwide who work in commerce, industry, financial services, education, and the public and not-for-profit sectors. Its aim is to promote and contribute to the value of professional accountants in business.

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FOREWORD

Global recognition of professional accountants as organizational leaders and strategic partners in building long-term sustainable organizational success is the vision and central tenet of IFAC's Professional Accountants in Business (PAIB) strategy. To achieve this vision, IFAC needs to collaborate effectively with its members and associates to promote and contribute to the value of professional accountants working in commerce, industry, financial services, education, and the public and not-for-profit sectors. The PAIB strategy pursues two key complementary objectives:

1. increasing awareness of the important roles professional accountants play in creating, enabling, preserving, and reporting value for organizations and their stakeholders; and

2. supporting member bodies in enhancing the competence of their members to fulfill those roles by facilitating the communication and sharing of good practices and ideas.

Competent and Versatile: How Professional Accountants in Business Drive Sustainable Organizational Success, provides both IFAC and its members and associates with a common model for understanding and explaining how professional accountants drive sustainable organizational success, encompassing the public and non-profit sectors. It provides a resource to enhance the perception of professional accountants by defining and exploring the roles that they perform.

Competent and Versatile: How Professional Accountants in Business Drive Sustainable Organizational Success builds on the PAIB Committee's 2005 publication, *The Roles and Domain of the Professional Accountants in Business*. However, this new approach provides an analysis of the expectations placed on professional accountants by their employing organizations in the context of a rapidly changing business environment. The analysis is based upon eight drivers that have been derived from recognized frameworks to describe the widely recognized attributes of successful organizations. An employer-based view of the expectations of professional accountants is a demand-driven response to understanding the future roles and expectations placed on such professional accountants.

Highlighting the breadth of roles and characteristics of professional accountants and the expectations that will be placed on them going forward is intended to be useful in communicating to employers, professional accountants, governments, and regulators. Individual professional accountants might also find the approach useful in making their colleagues and employers aware of the scope of their competence, expertise, and potential contributions to driving sustainable organizational success.

TABLE OF CONTENTS

OVERVIEW	6
1. THE NEEDS OF SOCIETY, CAPITAL MARKETS, AND ORGANIZATIONS	7
2. THE DRIVERS OF SUSTAINABLE ORGANIZATIONAL SUCCESS	10
3. THE KEY ROLES OF PROFESSIONAL ACCOUNTANTS IN BUSINESS	15
4. THE COMPETENCES REQUIRED TO DRIVE SUSTAINABLE VALUE	18

OVERVIEW

Competent and Versatile: How Professional Accountants in Business Drive Sustainable Organizational Success supports the global accountancy profession in making strides toward facilitating the development of sustainable organizations through the education, training, and development of professional accountants, and promoting their competence and versatility to their employing organizations. The publication examines the expectations placed on professional accountants and how they create, enable, preserve, and report sustainable value for their employing organizations in a rapidly changing economic and competitive environment.

Examining the future roles of professional accountants through the lens of organizational sustainability, and what is required to deliver economic, environmental, and social performance, this publication aims to help IFAC and its members and associates, as well as individual professional accountants, to increase awareness of the important roles professional accountants play in driving sustainable value creation. Such an approach will also assist in ensuring the acquisition and development of required professional skills, competences, and versatility among professional accountants in business.

Future expectations governing the way professional accountants will be expected to support the development of sustainable value creation are analyzed in light of the emerging challenges affecting the organization's environment, and eight drivers of sustainable organizational success. These drivers have been identified to form the context of considering (a) how professional accountants can be positioned to support their organizations, and (b) the professional skills and competences they will need. This is a demand-driven response to understanding the future roles and expectations placed on professional accountants.

Sustainable development and the sustainability of organizations have become mainstream issues for politicians, consumers, and business leaders. From an economic, as well as an environmental and social perspective, sustainability issues are transforming the competitive landscape, forcing organizations to change the way they think about products and services, technologies, processes, and business models. Long-term sustainable value creation requires responsible organizations to direct their strategies and operations to achieving sustainable economic, environmental, and social performance. It also requires incorporating wider stakeholder perspectives and issues into decision making.

Ensuring that organizations pursue sustainable business models and development practices will require radical changes in the way they do business. Achieving a sustainable future is possible only if organizations recognize the role that they can and need to play. Effective action by the accountancy profession and professional accountants to better integrate and account for sustainability is an essential part of the response.

Governing bodies and organizational leaders should be focused on the long-term sustainability of their organization, and they should be confident that their business models will deliver this. Professional accountants in all organizations have a significant role in framing business models; challenging conventional assumptions of doing business and redefining success in the context of achieving sustainable value creation; encouraging and rewarding the right behaviors; ensuring that decisions are supported by the necessary information, analysis, and insights; and ensuring that monitoring and reporting performance go beyond the traditional ways of thinking about economic success.



1

THE NEEDS OF SOCIETY, CAPITAL MARKETS, AND ORGANIZATIONS

The Needs of Society and Capital Markets

The financial and economic crisis that started in 2008, and the uncertain path to recovery for many countries, is of overwhelming significance for governments, regulators, and financial markets—likewise, for public and private sector organizations and the professional accountants they employ. The crisis and its aftermath bring into focus substantial challenges, most notably:

- moving to a model of sustainable economies and corporate responsibility, where organizations pursue more sustainable strategies and actions and take into consideration a broader range of stakeholders;
- balancing the need for compliance with the need to remain competitive within an increasingly global economy, which involves delivering adequate returns in the short- and medium-term while developing an organization's drivers of sustainable organizational success;
- developing stronger risk management and control functions that incorporate a better understanding and management of systemic risk and facilitate greater oversight of these risks by governing boards and management, and national and international regulators; and
- ensuring the long-term affordability of public services and their ability to meet changing population age profiles and rising expectations on services, such as education and health. There is also increased emphasis on the accountability and transparency in governments and other public sector organizations.

Ensuring that organizations pursue sustainable business models and development practices will require radical changes in the way they do business.

The current environmental, social, and economic uncertainty, including the continuing presence of systemic risk (driven by risk factors such as sovereign debt, weak housing markets in various major economies, global inflationary pressures, and increasing interest rate expectations), puts into the spotlight those core issues that need to be addressed, and necessary actions to foster sustainable economic growth. These include (a) more effective leadership and governance of organizations, regulation, and oversight, as well as (b) more effective political and organizational infrastructures and processes to minimize the risks associated with globalization and to ensure inclusive growth, particularly in emerging economies.[1]

The Needs of Organizations and Their Governing Bodies

Sustainable economies depend on the long-term success of organizations, which requires organizations to direct their strategies and operations to achieving sustainable, or long-term, economic, environmental, and social performance.[2] This will involve integrating sustainability into their mission, goals and objectives, strategies, management and operations, definitions of success, and stakeholder communications. Success will also require an underlying resilience and flexibility within the organization to be able to cope with the unexpected and with changing circumstances.

The importance of small- and medium-sized entities (SMEs) in the global economy reflects the impact of changing business models and future trends through greater fragmentation and diversification of value chains. These macro developments are likely to have a significant impact on the role of professional accountants, as an even greater proportion of professional accountants in the future are likely to be employed by smaller organizations, especially in emerging economies.

What sustainable success means for a smaller organization will vary. For some, it will mean building a business that can be passed on to the next generation or sold off so as to yield funds for retirement. Others may wish to build a business to the point where it can be floated in a capital market. As with larger organizations, sustainable success in smaller organizations will also depend on economic, environmental, and social performance.

A narrow focus on financial performance, such as short-term earnings and profits, at the expense of social or environmental performance can result in a loss of trust in an organization and damage overall performance, resulting in value destruction for all stakeholders, and, in some cases, losing its license to operate. Issues of human rights; corruption and bribery; non-compliance with labor and environmental standards and responsibility; and discrimination in respect to employment and occupation can be as important to the long-term prospects of larger, publicly owned organizations, as well as to smaller organizations.

For public sector organizations, public value creation needs to balance the equitable treatment of all stakeholders with service standards, efficient and effective financial management, and the long-term affordability of the service provided in the context of future demographic trends. In many cases, decisions are made as a result of democratic choices or through political mechanisms.

For all organizations and their governing bodies, achieving sustainable success hinges on taking a long-term perspective. A key message from the Chartered Institute of Management Accountants (CIMA)'s report *Building World-Class Businesses for the Long Term: Challenges and Opportunities* is that executives face two daunting challenges as they embrace the

value of long-term thinking in creating sustainable organizations.[3] Firstly, the need for short-term results can distract managers from their long-term vision. Secondly, defining the long-term and embedding it into operations in a meaningful way can be complex.

Although short-term needs cannot be ignored, governing bodies and professional accountants need to recognize that some short-term pressures distract from the long-term vision. These include poorly defined performance targets and decisions focused on short-term earnings performance (see "Shifting to a Long-Term Perspective").

Shifting to a Long-Term Perspective

According to Dominic Barton, Global Managing Director of McKinsey & Company, there are three essential elements of the shift to a long-term perspective:

"First, business and finance must jettison their short-term orientation and revamp incentives and structures in order to focus their organizations on the long term. Second, executives must infuse their organizations with the perspective that serving the interests of all major stakeholders—employees, suppliers, customers, creditors, communities, the environment—is not at odds with the goal of maximizing corporate value; on the contrary, it's essential to achieving that goal. Third, public companies must cure the ills stemming from dispersed and disengaged ownership by bolstering boards' ability to govern like owners."[4]

— *Harvard Business Review, March 2011*

Professional accountants will need to be positioned to help ensure that strategy effectively connects short-term actions with long-term aspirations and sustainable business success. Professional accountants will also need to be sufficiently competent and versatile in all those areas and functions in which organizations strive for excellence. This publication uses eight drivers of sustainable organizational success that are widely seen as being the most important focus areas for achieving organizational success and for enduring stakeholder as well as shareholder value.



2

THE DRIVERS OF SUSTAINABLE ORGANIZATIONAL SUCCESS

Clarifying and promoting the roles, activities, and professional skills of professional accountants needs to be done (a) within the wider context of understanding the drivers of high-performing sustainable organizations, and (b) with an appreciation of the emerging trends and developments in the business environment (see "Developing the Drivers of Sustainable Organizational Success").

Eight drivers of sustainable organizational success provide the basis for understanding how the global accountancy profession needs to support the development of professional accountants, so that they can help organizations achieve sustainable value creation. The drivers are summarized in Figure 1 and explained below.

Collectively, the drivers will determine the long-term success of organizations and, hence, lead to sustainable economies.

- **A customer and stakeholder focus:** successful organizations first and foremost create value for customers, which subsequently leads to value creation for investors and funders. Concurrently, organizations can only sustainably create value by taking account of the needs and expectations of other stakeholders. A customer and stakeholder focus involves ensuring that the whole organization, and not just front-line service staff, puts an understanding of customers and key stakeholder groups first.
- **Effective leadership and strategy:** achieving sustainable organizational success depends on effective and ethical leadership, which in turn enables coherent and focused strategy and execution. Above all, effective leadership and business strategy focuses on sustainable value creation over the long term. In decision-making processes, this means that long-term consequences of decisions should be taken into account, including how they impact operations, customers, employees, and the reputation of the organization. Successful organizations have leaders that have a deep understanding of (a) customer and stakeholder needs, (b) the organization's capabilities to generate the

required products and services, as well as (c) the opportunities and threats that stem from its competitive environment.

- **Integrated governance, risk and control:** sustainable value creation depends on how well organizations can integrate their governance, risk management, and control systems in all their activities and processes. Successful organizations integrate effective governance structures and processes with performance-focused risk management and control systems. They ensure that good governance is more than a compliance exercise by facilitating entrepreneurial and prudent management, which leads to enhanced investor and wider stakeholder confidence.
- **Innovative and adaptive capability:** successful organizations meet changing market demands, or, in some cases, shape them. They continually innovate their products and services, and adapt their structure, processes, and systems to changed circumstances. Building capacity to develop sustainable products and services, and supporting processes and systems, requires investment in an innovative capability and supporting organizational culture.
- **Financial management:** successful organizations have strong financial management underpinning their decisions and performance. They ensure that financial strategy and navigation support long-term economic viability rather than only focusing on short-term earnings performance. A deep understanding of historical, current, and potential performance forms the basis of developing strategy and setting credible stakeholder and market expectations. Confidence in articulating where an organization is going financially helps improve access to capital and the confidence of stakeholders. Effective financial management also involves delivering financial leadership in tax and treasury, cost and profitability improvement, working capital management, mergers and acquisitions, and raising finance and capital.
- **People and talent management:** organizations that attract and retain talent tend to outperform competitors. Successful organizations typically treat people and talent management as a strategic function and key value driver to their sustainable success. People and talent management are also significant success factors in the development of the finance function so as to better serve the needs of the wider organization and ensure professional accountants remain competent and versatile.
- **Operational excellence:** successful organizations are disciplined in ensuring that resource allocation decisions align with strategic direction, goals, and objectives. They ensure that performance measurement and reporting systems measure progress towards the achievement of strategic and operational objectives. Their business intelligence provides insight into the key drivers of shareholder and stakeholder value, and allows for better accountability for results, and for alignment of rewards with sustainable performance.
- **Effective and transparent communication:** successful organizations typically have a systematic and carefully planned approach to engaging and dialoguing with various stakeholders. Investor relations and integrated business reporting are opportunities for management to provide investors and other stakeholders with the longer-term prospects for an organization, as well as a rationale and explanation for its vision, strategies, and results. Such organizations tend to excel in their reporting in terms of readability, usefulness, and relevance.

These drivers represent generically those areas in which successful organizations have tried to excel to achieve and sustain high performance and success. They are core elements of every organization striving to be competitive and sustainable over the long term. Sustainability issues and factors (covering economic, environmental, and social performance) are integrated into the model so they relate to all of the drivers.

Although the drivers are not hierarchical, the first driver reflects the overriding need for all organizations to be customer and stakeholder focused. The underlying premise is that an organization's long-term success will first depend on satisfying its customer (and in the case of the public sector, a service user) and other key stakeholder needs, with which all other aspects of the organization need to be aligned. Other drivers will be to a large extent interconnected. For example, developing an innovative capability for better sustainable performance requires the right people and, therefore, a need to attract and retain talent.

Collectively, the drivers will determine the long-term success of organizations and, hence, lead to sustainable economies. Therefore, they are used in section four as the basis of defining the expected key areas of competency for professional accountants.

Developing the Drivers of Sustainable Organizational Success

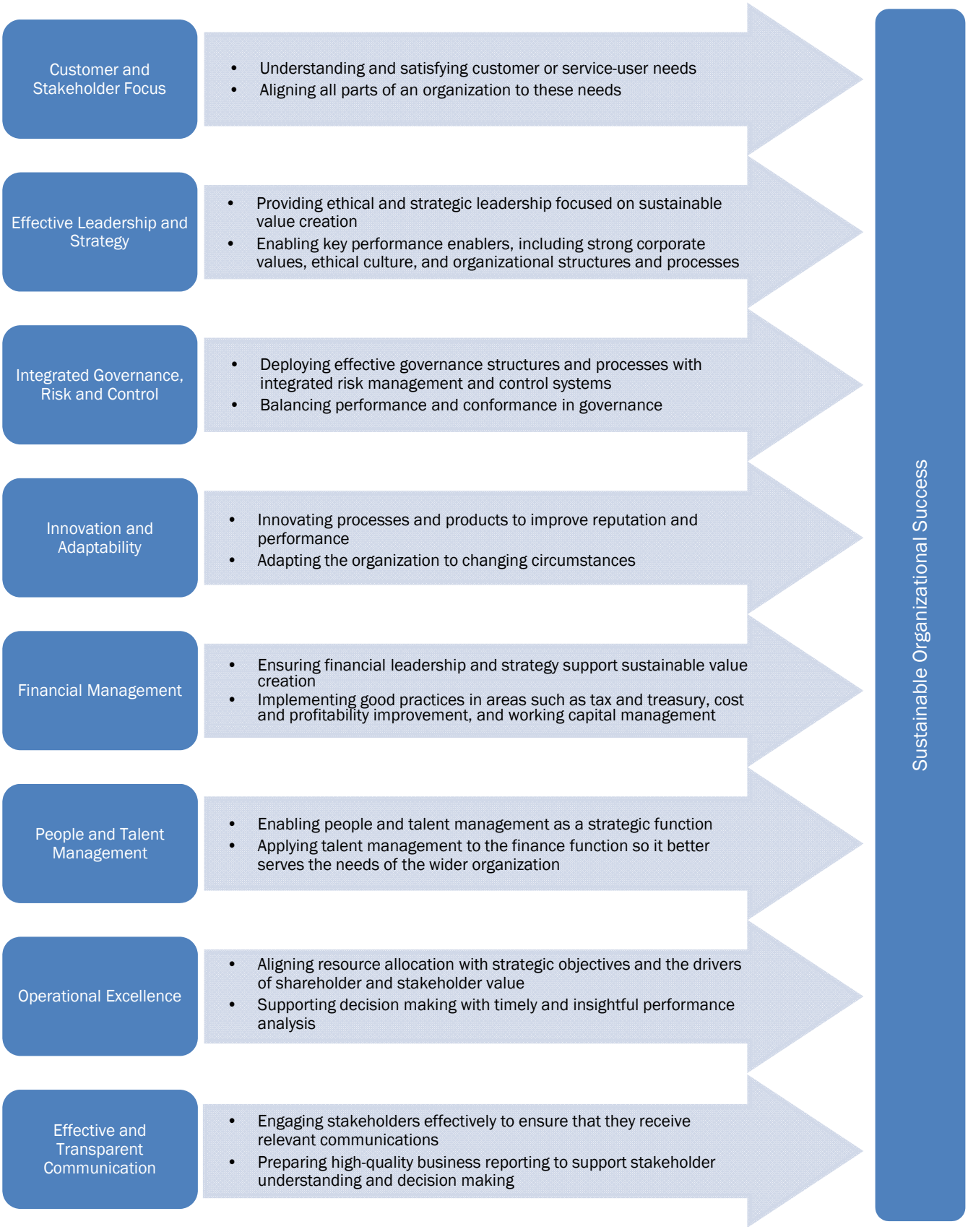
The drivers were identified by drawing on various sources, including the CIMA Business Success Wheel (*The CIMA Difference: Our Relevance to Business*, p. 43)[5] and management and quality frameworks, such as the European Foundation for Quality Management. There are various books and reports covering the characteristics of successful organizations, although isolating and identifying factors in determining organizational performance is fraught with difficulty not the least because of the challenges of measuring sustained performance.[6] These drivers simply reflect the areas or functions in which successful organizations seek high performance.

The drivers were also identified in light of three megatrends—globalization, complexity, and technology—which are influential overarching forces of change. These megatrends bring opportunities and challenges to the business environment and drive change in organizations' strategies and structures, and, therefore, the expectations placed on professional accountants.

- **Globalization:** two significant global issues are impacting organizations and markets and, therefore, the role of professional accountants. The first is the diffusion of economic power in the global economy across a wider range of regions and countries, underpinned by the deployment of information technology, greater economic openness, and the growing size and reach of multinational companies.[7] The interconnectedness of increasingly global markets presents opportunities and challenges, such as the need for more effective governance, regulation, and oversight. Increased economic, environmental, and social pressures will force organizations across the globe to better meet demands for more transparency, ethical commitments, and improved governance, risk management and internal control.

- **Complexity:** a growing world population is demanding new, better, faster, and less expensive products and services with ever more choices and options, at the same time expecting reduced social and environmental impacts. Increased economic activity creates a variety of strategic, governance, environmental, and social challenges, and adds to the complexity of the economic cycle. Organizations need to respond by becoming more efficient and adaptive, and ensuring that they have the information, knowledge, and capability to develop innovative solutions.
- **Technology:** technological evolution and development continues to present new dimensions for further growth with a constant stream of new products and services, delivered via new development, production, marketing, and distribution methods. In organizations, technology allows greater decentralization where decision making is close to the customer. It also facilitates greater innovation by fostering collaborative relationships among a network of strategic partners and alliances. More powerful information and communication technology also enables access to greater business intelligence that drives management insights.

Figure 1: Drivers of Sustainable Organizational Success





3

THE KEY ROLES OF PROFESSIONAL ACCOUNTANTS IN BUSINESS

Worldwide, more than one million professional accountants work in commerce, industry, financial services, education, and the public and not-for-profit sectors to support organizations in becoming more successful and sustainable. Professional accountants in business form a very diverse constituency, and can be found working as employees, consultants, and self-employed owner-managers or advisors.

Within organizations, many professional accountants are in positions of strategic and/or functional leadership, and are well-placed to partner with colleagues in other disciplines to create long-term sustainable value for their organizations.

Many professional accountants are in a position of strategic and/or functional leadership, and are well placed to partner with colleagues in other disciplines to create long-term sustainable value for their organizations.

What Roles Do Professional Accountants In Business Perform?

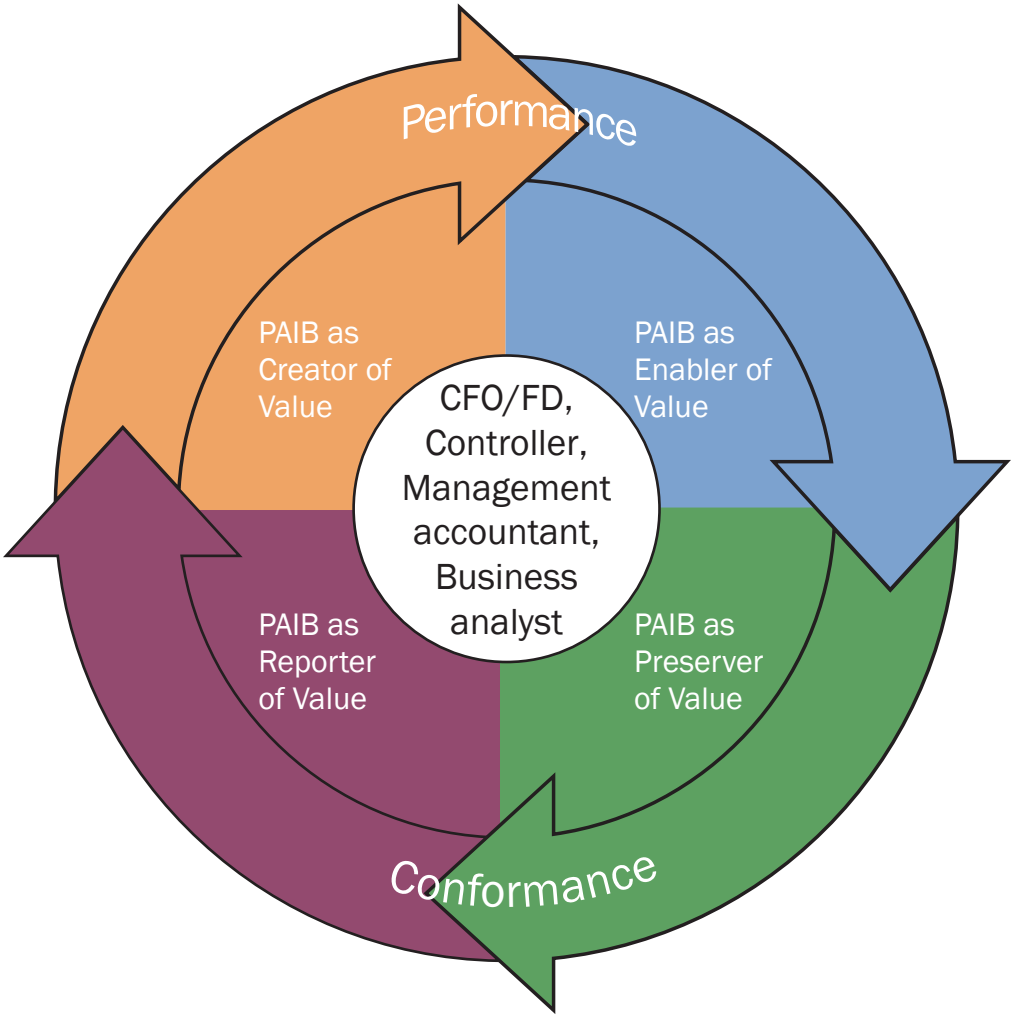
The roles professional accountants perform can be described as creators, enablers, preservers, and reporters of sustainable value for their organizations in both performance and conformance dimensions:

- As *creators of value*, by taking leadership roles in the design and implementation of strategies, policies, plans, structures, and governance measures that set the course for delivering sustainable value creation.
- As *enablers of value*, by informing and guiding managerial and operational decision making and implementation of strategy for achieving sustainable value creation, and the planning, monitoring, and improvement of supporting processes.
- As *preservers of value*, by ensuring the protection of a sustainable value creation strategy against strategic, operational, and financial risks, and ensuring compliance with regulations, standards, and good practices.

- As *reporters of value*, by enabling the transparent communication of the delivery of sustainable value to stakeholders.

The domain of professional accountants in business (Figure 2) spans the four roles as well as capturing how the roles align to the internal working of organizations. The performance and conformance dimensions are derived from IFAC's International Good Practice Guidance, *Evaluating and Improving Governance in Organizations*. The principles in the guidance support an appropriate balance between conformance, or compliance, on the one hand, and business performance, through value enabling and creation, on the other. The professional accountant plays a key role in both these dimensions, and in optimizing the balance between the two.

Figure 2: The Roles and Domain of Professional Accountants in Business



In practice, professional accountants support their organizations in a wide range of job functions (see "Example PAIB Job Roles and Functions"). In many instances, they will perform as value creators, enablers, preservers, and reporters within one job function. This is particularly so in leadership positions. For instance, a chief financial officer will focus on creating value (e.g., strategy development and striving for growth); on enabling value (e.g., supporting the governing body and senior management in making decisions and facilitating the understanding of performance of other organizational functions or units); on preserving value (e.g., asset management and mitigating strategic risk and implementing effective internal control systems); and on reporting value (e.g., ensuring relevant and useful internal and external business reporting).

The performance of professional accountants will largely depend on their post-qualification training and development and will require a good understanding of an organization and how it generates value for its stakeholders.

Example Professional Accountants in Business Job Roles and Functions

Business leaders typically perform in director and management roles, while strategic business partners support and participate in decision making and direction at various levels of the organization.

- Leadership/management: chief executive officer (CEO); chief financial officer (CFO)/financial director (FD); chief operating officer; director of governance or operations; treasurer
- Operational: business unit controller; financial, or performance analyst; cost accountant; resources manager; business support manager; systems analyst
- Management control: business assurance manager; risk manager; compliance manager; internal auditor
- Accounting and stakeholder communications: group controller; head of reporting; investor relations manager; financial or management accountant

The performance of professional accountants in specific jobs will largely depend on their post-qualification training and development and experiences, and will require a good understanding of an organization and how it generates value for its stakeholders. Additionally, professional accountants in SMEs usually perform multiple roles. In a SME, strategy, business planning, and performance management are equally critical functions, but may be done by one person or a few people, and because of the nature of the organization, can involve simpler processes.



4

THE COMPETENCES REQUIRED TO DRIVE SUSTAINABLE VALUE

Competent and Versatile: How Professional Accountants in Business Drive Sustainable Organizational Success focuses on establishing the expectations placed on professional accountants in terms of the roles and activities they will need to undertake, thereby extending beyond the knowledge and skills that will be taught and tested during their professional education. This section highlights the various areas of competency needed by professional accountants to perform as creators, enablers, preservers, and reporters of sustainable value for their organizations.

Employers are demanding a broad range of professional and general business skills, which, if developed, improves the versatility of the professional accountant.

Acquiring Professional Skills

International Education Standard 3, *Professional Skills and General Education*, usefully defines a list of professional skills for professional accountants:

- intellectual skills;
- technical and functional skills;
- personal skills;
- interpersonal and communication skills; and
- organizational and business management skills.[8]

These professional skills are part of the set of capabilities required by professional accountants to demonstrate competence. These capabilities include knowledge, skills, professional values, ethics, and attitudes. The standard classifies a non-exhaustive list of required skills under the five skill sets listed above, and recognizes that not all these skills will be fully developed at the point of professional qualification. Professional skills will be

acquired in part during initial qualification and training, but will need to be developed and honed throughout a career, often by performing different roles within an organization and by undertaking continuing professional development and education.

The Attitude and Mindset of Professional Accountants in Business

Gaining practical experience in different roles will also help professional accountants acquire an attitude and mindset that enables them to enhance their own performance within organizations. Employers are demanding a broad range of professional and general business skills, which, if developed, improves the versatility of the professional accountant. In addition, with experience, the successful professional accountant in business can typically also be characterized by a distinctive attitude, outlook, or way of thinking. This is the *mindset* of a professional accountant in business.

Mindset encompasses an instinctive focus on providing professional objectivity and reasoning to strategic and operational decision-making and directing resources to achieve an organization's objectives.

This mindset complements formally taught skills, but cannot easily be examined or regulated. The professional accountant mindset needs to embrace five different areas:

» Professionalism and ethical behavior

Professional accountants should uphold high ethical standards in accordance with the *Code of Ethics for Professional Accountants* (the Code), which requires accountants to encourage an ethics-based culture in an employing organization that emphasizes the importance that senior management places on ethical behavior (see paragraph 300.5 of the Code). Therefore, professional accountants can support an organization's code of conduct and ethics through their own behavior and actions in the various roles that they perform. Although the importance of ethical leadership is highlighted under the success driver "Effective Leadership and Strategy," professional accountants should develop and promote an ethical culture through their professionalism across all the drivers of sustainable organizational success.

IFAC's guidance *Defining and Developing an Effective Code of Conduct for Organizations* highlights the important role that professional accountants can play in driving and supporting organizational ethics and fostering a values-based organization. By applying a values-based approach, leading by example rather than relying only on written policies and rules, they can promote a culture that encourages employees to internalize the principles of integrity and to "do the right thing" by allowing them to make appropriate decisions given specific circumstances.

Addressing the Achilles Heels of Mid-Sized Enterprises

"One of the more difficult challenges facing PAIBs (professional accountants in business) is when they encounter an integrity issue within their own organization," As one of the few professionally qualified managers in a mid-sized enterprises, PAIBs have the professional standards and the responsibility for responding quickly and appropriately when issues of integrity arise. PAIBs understand the rationale for business integrity—not integrity for integrity's sake, but because of its strong link with reputation and longer term business success, based on mutual benefit, fair play, and trust."[9]

— Julian Clarke, Director, SME Financial Systems

» Professional judgment

The vast range of circumstances and situations that can arise in organizations of any type, industry, and size makes the application of detailed rules ineffective for guiding management decisions. Therefore, the quality of professional judgment becomes a differentiating factor for high-performing professional accountants. This includes balancing organizational nimbleness and quick and intuitive decision making with a need for evidence-based decisions.

As professional accountants increasingly perform as "business partners," their fundamental professional values of independence, integrity, and objectivity will be tested, and applying professional judgment and integrity will often involve reconciling conflicting commercial, financial, and sustainability interests. Therefore, professional accountants will increasingly need to support and influence decision makers to ensure the organization is managed in the long-term interests of stakeholders and delivers sustainable value creation.

From Ledgers to Leadership

"The best CFOs will successfully strike a balance between having a robust strategic relationship with their business that is based on hard-earned trust and respect, while maintaining the objectivity, independence, and fiduciary stewardship required of them by the stakeholders of the business. Achieving that balance has, however, been made more challenging by the corporate scandals of the past decade and the subsequent increase in focus on governance, controls, and reporting."[10]

— Mark Lubienski, Vice President of Finance, EMEA, Ariba, Inc.

» Organizational and environmental awareness

Professional accountants need to be cognizant and knowledgeable of other disciplines, such as technology, people and project management, and of managing and measuring non-financial activities and performance, such as carbon footprint. Organizational and environmental awareness and understanding are also critical in helping them to reconcile the detailed aspects of operational performance with strategic aims. To achieve this, professional accountants are increasingly expected to perform as integrators, aligning economic, environmental, and social performance and various business functions and processes, and as navigators supporting the needs of governing bodies and management.

To perform effectively as integrators and navigators, they will need to be able to (a) link functional disciplines and organizational units, as well as (b) facilitate a common and unifying perspective on an organization's business model and key success factors in relation to changing circumstances and environmental factors and trends. Professional accountants working in the finance and accounting function will also be able to perform their roles with more confidence when they have wider organizational understanding, particularly of operational data, such as trading information, customer data, and market intelligence. With this wider knowledge, planning, forecasting, and management of working capital will more likely be relevant and useful.

From Professional Accountant in Business to CEO

"By learning how the business ran at the ground level, I understood how the various departments of our business operated. As a result, I was able to help these departments and challenge them to be better. Too many finance and accounting professionals today don't understand their business from the ground up. Yet that insight is necessary as they want to venture into non-financial decisions as business partners."[11]

— John B. Pollara, former Chief Executive Officer, Zieman Manufacturing Company

» An investor and wider stakeholder focus

Professional accountants, particularly in CFO/FD roles, can be expected to lead in managing relationships with investors and other funders, and, in some industries, with regulators. They also need to consider a wider stakeholder perspective so as to ensure risk and performance are managed in the long-term interests of stakeholders. By effectively engaging with investors and other stakeholders, professional accountants can play a central role in identifying material sustainability issues and responsibilities of the organization and key opportunity and risk areas. Working with a range of stakeholders with different perspectives and various expectations can present complex dilemmas and challenges. Professional accountants need to be positioned to address the challenges and to establish how various interests could be aligned in the longer term.

Doing Good and Doing Well

"I think that, if you want to attract the right investor base long term, it's increasingly easier to have those discussions, to explain a socially responsible business model…They look at more numbers than just the balance sheet and the income statement . . . It's not either results or responsibility, it's both/and . . . It's doing good and doing well, which I don't see as a trade-off."[12]

— Paul Polman, Chief Executive, Unilever

» Change, uncertainty, and complexity

As with their organizations, professional accountants will typically operate in a fast changing environment and will therefore have to (a) be able to adapt to changing circumstances, and (b) apply professional skills and judgment to often ambiguous and imperfect information. Whether creating, enabling, preserving, or reporting sustainable value, professional accountants need to be prepared to manage uncertainty, complexity, and strategic decision-making within an overall context of heightened focus on effective governance, risk management, and control.

Overcoming the "Bad Cop" Rap

"You become relevant when you have intellectual curiosity and a capacity to understand the needs of your colleagues and businesses, and the courage to then have a point of view. This is not about being the bad cop, it's about having the willingness to engage in a healthy debate over a strategic direction, to listen to others' views, and then to help effect compromises to move the strategy forward."[13]

— Rose Marcario, Chief Operating Officer and Chief Financial Officer, Patagonia, Inc.

A Career Path to Attain the Expected Attitude and Mindset

Professional accountants will pursue various career paths, with some starting their training in public practice (e.g., in an accountancy firm) and later on moving to work in an organization. Others may start their training by gaining practical experience in an organization from the outset. After starting a career in one of the key parts of the finance and accounting function (e.g., planning and control, decision support, treasury, tax, audit, accounting operations etc.), many branch out into broader commercial and operational roles.

To add value from either the perspective of the finance and accounting function or in a broader commercial or operational role, requires a good understanding of the industry and competitive environment, the organization, and the key levers driving its performance. In a SME, a professional accountant might perform a number of roles and be close to the customer and the operations of an organization. Many larger organizations are creating flexible employment models that support rotation and on-the-job development. This might involve finance and accounting staff moving into different roles inside and outside finance. Outside the finance and accounting function, it will be important for professional accountants to gain exposure to sales, customer services, marketing, operations, research and development, for example, to help increase their value to the organization. The need for exposure to various parts of an organization was highlighted in Kurt Kuehn's keynote address at the Institute of Management Accountants' 2009 Annual Conference (see "Navigating the Shoals in Fast-Moving Currents").

Navigating the Shoals in Fast-Moving Currents

In his keynote presentation to the Institute of Management Accountants' 2009 Annual Conference, Kurt Kuehn, CFO of UPS, highlighted his view that a generalist approach to the CFO function becomes more important during turbulent times:

"When the priority is helping the company make big decisions, then the broader your field of vision, the broader your function's capability to step in, the more impact you can have. There's a time to be the best in your specialty. There's also a time to take that hat off, listen to what's going on in the company, and have an impact.

So one of the big priorities I had as I moved into sales and marketing at UPS was to make sure that the company listened to its customers in a way we hadn't before, and that every function, including finance and accounting, our tax guys, our audit group, plays a role in understanding customer needs and how their piece of the puzzle meets those needs. It may be that you add value to customers by facilitating better processes for the people that do face them. Make sure the financial systems and measures that you have are supportive of effective sales execution and operation. Are we there helping marketing understand the profitability of products? Is our managerial accounting relevant in driving value to customers? This stuff can be very powerful if you align financial insight, product design, and customer execution."[14]

— Kurt Kuehn, Chief Financial Officer, UPS

Some organizations have specific programs in place for the development of finance leaders that involve exposure to various parts of the organization, as well as varied forms of formal and informal training, including coaching and mentoring. For example, at Ikea, controllers spend time working in the sales and logistics areas; if they understand what drives stocks, staff costs, and gross margins, they can better contribute and add value.[15]

The maturity of an organization also has a big influence on the finance skills required; there is a continuous need for different finance and accounting skills at different times. Growth may be achieved organically, or through acquisition, in order to penetrate new markets, supply new products and services, or to reshape the supply chain. As organizations mature they may seek new funding, become listed, acquire shareholders, and need to comply with regulation in many different areas. At the end of the business lifecycle, accountants and finance professionals will also have important roles to play. All of these developments shape the roles of professional accountants, and the skills they need to bring to their organizations.[16]

Vital Skills in the Current Environment

"There are a number of skills that we deem critical for finance professionals to have at the moment. We are operating in a constantly changing environment, so change management and project management skills are highly useful. We also want to ensure our finance professionals have a very good understanding of the global business and its value chain, that they are good at strategic planning and have well-rounded partnering skills such as communicating, influencing, and negotiating skills to make a significant difference to our business. Understanding the organisation's priorities and having clear knowledge of how we deploy the business plans in practice are also important priorities at the moment."[17]

— John McLafferty, Head of Professional Development for Finance, Rolls-Royce

Professional Accountants in Business Driving Sustainable Value Creation

Employers' expectations of professional accountants will be derived from the roles and activities they should be able to perform to support and help drive the development of sustainable organizational success. With the context of the drivers of sustainable organizational success (see section two, "The Drivers of Sustainable Organizational Success"), the expected key areas of competency are highlighted in the matrix below under each of the four broad roles professional accountants play: creators, enablers, preservers, and reporters of sustainable value (see section three, "The Key Roles of Professional Accountants in Business").

The matrix in Figure 3 provides an overview of the expected key areas of competency for professional accountants, against which IFAC members and associates are invited to benchmark their education (including qualification and training) frameworks, programs and assessment, practical experience requirements, and continuing professional education offerings. IFAC's PAIB Committee is undertaking case studies to highlight how professional accountants support their organizations in practice in these key areas of PAIB competency.

Figure 3: Expected Key Areas of Competency for Professional Accountants in Business

IMPACT OF MEGATRENDS

Roles →	Creators of value	Enablers of value	Preservers of value	Reporters of value
Drivers of Sustainable Organizations ↓	*Professional accountants, as creators of value, should be able to:*	*Professional accountants, as enablers of value, should be able to:*	*Professional accountants, as preservers of value, should be able to:*	*Professional accountants, as reporters of value, should be able to:*
Customer and Stakeholder Focus	Create a focus on sustainable value creation by ensuring a strong link between customer and stakeholder focus, strategy, governance, and sustainability to support the delivery of value to customers and stakeholders	Facilitate organizations in making sustainable customer- and stakeholder-focused strategic and operational decisions, implement appropriate strategies, and evaluate their on-going relevance and success	Monitor and ensure that organizations effectively and efficiently achieve their strategic and operational targets and goals	Effectively communicate how value is delivered to customers and stakeholders, to internal management and operations and, where appropriate, within external reporting, such as the annual report
Effective Leadership and Strategy	Set strategic direction by defining a value proposition that takes advantage of the strategic risks and opportunities, and the organization's strengths and weaknesses, and being aware of the critical points at which an organization needs to make strategic decisions	Frame key questions and issues for consideration, and provide managerial and operational decision makers with relevant insight and analysis	Identify, prioritize, and manage strategic and operational risks within the context of reinforcing governance processes and practices	Provide management, as well as external stakeholders, with analysis and insights on drivers, execution, and results of sustainable value creation
Integrated Governance, Risk and Control	Drive the formulation of an organization's attitude to and appetite for risk and deliver aligned and effective governance, risk, and control practices to achieve a balance between conforming with rules and regulations and driving sustainable value creation	Implement enterprise risk management and control as a strategic activity and an integral part of an organization's governance system, as well as into all other decision-making, operational, and reporting processes in the organization	Evaluate policies, procedures, and processes to manage governance, risk and internal control systems, including control objectives that support the delivery of an organization's mission and strategic objectives, in accordance with an established risk attitude and appetite	Provide management, as well as external stakeholders, with information on the organization's opportunities and risks, and the performance of its governance, risk management, control processes, and systems
Innovation and Adaptability	Manage innovation in the finance and accounting function to facilitate its development, and to support its input into developing an organization's other innovation and R&D activities	Participate in the evaluation and improvement of processes and incentives that facilitate and nurture innovation and adaptability	Implement measures of innovation that objectively assess its financial and non-financial impact, and identify possible areas of improvement	Report on innovative capabilities and results and the impact of research and development investment, and future plans and priorities

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Financial Management	Understand and interpret the financial health of organizations and play a leadership role in developing and implementing a financial strategy to deliver an organization's strategic objectives	Support governing bodies, management, and operations in understanding the financial health of organizations and progress in delivering financial objectives, and providing the information and analysis needed to improve sustainable value creation	Examine systems that generate financial and non-financial information and ensure that they are working within prescribed standards of accuracy and reliability, and that such information adequately reflects the performance of the organization	Provide a detailed knowledge of financial and other reporting standards, and guidance to ensure that they are correctly applied so that relevant, reliable, and understandable information is provided
People and Talent Management	Participate in devising and implementing people and talent management strategies and policies for the wider organization and the finance function	Focus individual and team development on enhancing organizational skills, including an understanding of business context and priorities, providing high-quality management information and analysis and "business partnering" to gain trust within wider organization	Ensure a questioning mindset capable of identifying risks and opportunities in the area of people and talent management, and serve as promoters of integrity, transparency, and expertise	Report on how organizational investments in human capital development lead to the generation of sustainable shareholder and stakeholder value creation
Operational Excellence	Manage resources and performance through understanding the drivers of shareholder and stakeholder value and aligning individual and organizational goals and objectives and rewards to these drivers	Support implementation of strategic and operational performance management, measurement, and reporting systems and processes	Review performance gaps for process and supply chain improvement and ensure that processes and controls to prevent and detect fraud are put in place	Design and implement performance-driven strategic and process measurement and reporting systems, and provide adequate information and analysis to gain insight on performance
Effective and Transparent Communication	Develop and implement high-quality integrated business and financial communication strategies to enable managers, investors, and stakeholders to make an informed assessment of the organization's long-term performance and prospects	Support transparent communication and reporting with relevant information and analysis and effective presentation to investors and other stakeholders, while also ensuring that business reports and financial statements fairly represent the organization's performance	Internal assessment and audit of information systems and processes, as well as of the information itself, so as to ensure the timely provision of reliable information and reporting	Capture financial transactions and non-financial measures of performance, and prepare high-quality business reporting to internal and external stakeholders, including investors, customers, employees, regulators, and suppliers

[1] See the World Bank's definition of inclusive growth.

[2] See IFAC's Sustainability Framework for more information.

[3] CIMA, *Building World-Class Businesses for the Long Term: Challenges and Opportunities* (London, 2011), www.cimaglobal.com/Documents/World_conference_2011/Reports/World_Conference_report.pdf. Additional information available in *Insight* (June 2011) and CIMA's Thought Leadership web page.

[4] Dominic Barton, "Capitalism for the Long Term," *Harvard Business Review*, March 2011, http://hbr.org/2011/03/capitalism-for-the-long-term/ar/1.

[5] CIMA, *The CIMA Difference: Our Relevance to Business* (London, May 2007), www.cncima.com/uploads/docs/eng_cimadifference.pdf.

[6] Michael E. Raynor, Mumtaz Ahmed, and Andrew D. Henderson, *A Random Search for Excellence: Why "Great Company" Research Delivers Fables and Not Facts*, (Deloitte Consulting LLP, 2009), www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us_consulting_persistencerandomsearchfor_April2009.pdf.

[7] Accenture, *Strategies for Achieving High Performance in a Multi-Polar World: Global Choices for Global Challenges* (2009), http://nstore.accenture.com/IM/PDF/accenture_MultiPolarWorldFinalReport.pdf.

[8] International Accounting Education Standards Board, "International Education Standard 3, *Professional Skills and General Education*," *Handbook of International Education Pronouncements,* 2010 Ed. (New York, 2010), http://web.ifac.org/publications.

[9] International Federation of Accountants, *The Crucial Roles of Professional Accountants in Business in Mid-Sized Enterprises* (May 2008), http://web.ifac.org/publications/professional-accountants-in-business-committee/roles-and-domain-of-profess.

[10] CIMA, *From Ledgers to Leadership: A Journey Through the Finance Function* (April 2010), www.cimaglobal.com/Thought-leadership/Research-topics/Finance-transformation/From-ledgers-to-leadership-the-journey-through-the-finance-function/.

[11] International Federation of Accountants, *The Crucial Roles of Professional Accountants in Business in Mid-Sized Enterprises* (May 2008), http://web.ifac.org/publications/professional-accountants-in-business-committee/roles-and-domain-of-profess.

[12] Stefan Stern, "Outsider in a Hurry to Shake Up Unilever," *Financial Times,* April 4, 2010, www.ft.com/intl/cms/s/0/fa865f42-3ff3-11df-8d23-00144feabdc0,s01=2.html#ixzz1laa1mMsY (registration required).

[13] Russ Banham, "Strategic Inquisitions," *CFO Magazine*, December 2010, www.cfo.com/article.cfm/14540197.

[14] Kurt Kuehn, "Navigating the Shoals in Fast-Moving Currents" (keynote address given at the Institute of Management Accountants' 90th Annual Conference and Exposition, Denver, US, June 6-10, 2009), www.pressroom.ups.com/About+UPS/UPS+Leadership/Speeches/Kurt+Kuehn/Navigating+the+Shoals+in+Fast-Moving+Currents

[15] ACCA, "Critical Issues for Tomorrow's Profession," *Accountancy Futures*, (Edition 03/2011), p. 18, http://ab.digitaleditions.co.uk/03-2011/.

[16] ACCA, *The Value Creation Model for Business: 2010 and Beyond* (London, 2010), www2.accaglobal.com/documents/vcm2010.pdf.

[17] Ibid.