

The evolving role of the financial function

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Does accounting add value?

Accounting on trial!



Does accounting add value to British industry?

Raised a number of issues

- Terminology (accounting/finance/financial)
- Multiple roles in single FD/function
- Scorekeeping v. scoremaking
- Role conflict
- Accounting v. accountants
- Perceptions of users – necessary evil v. business partner
- What will the future bring!

Research project supported by ACCA - 2001 – 2004

- Comprised views of accountants, users, literature review of academic and practitioner literature
- Produced series of four articles for accounting and business + supporting website

www.role-of-finance.com

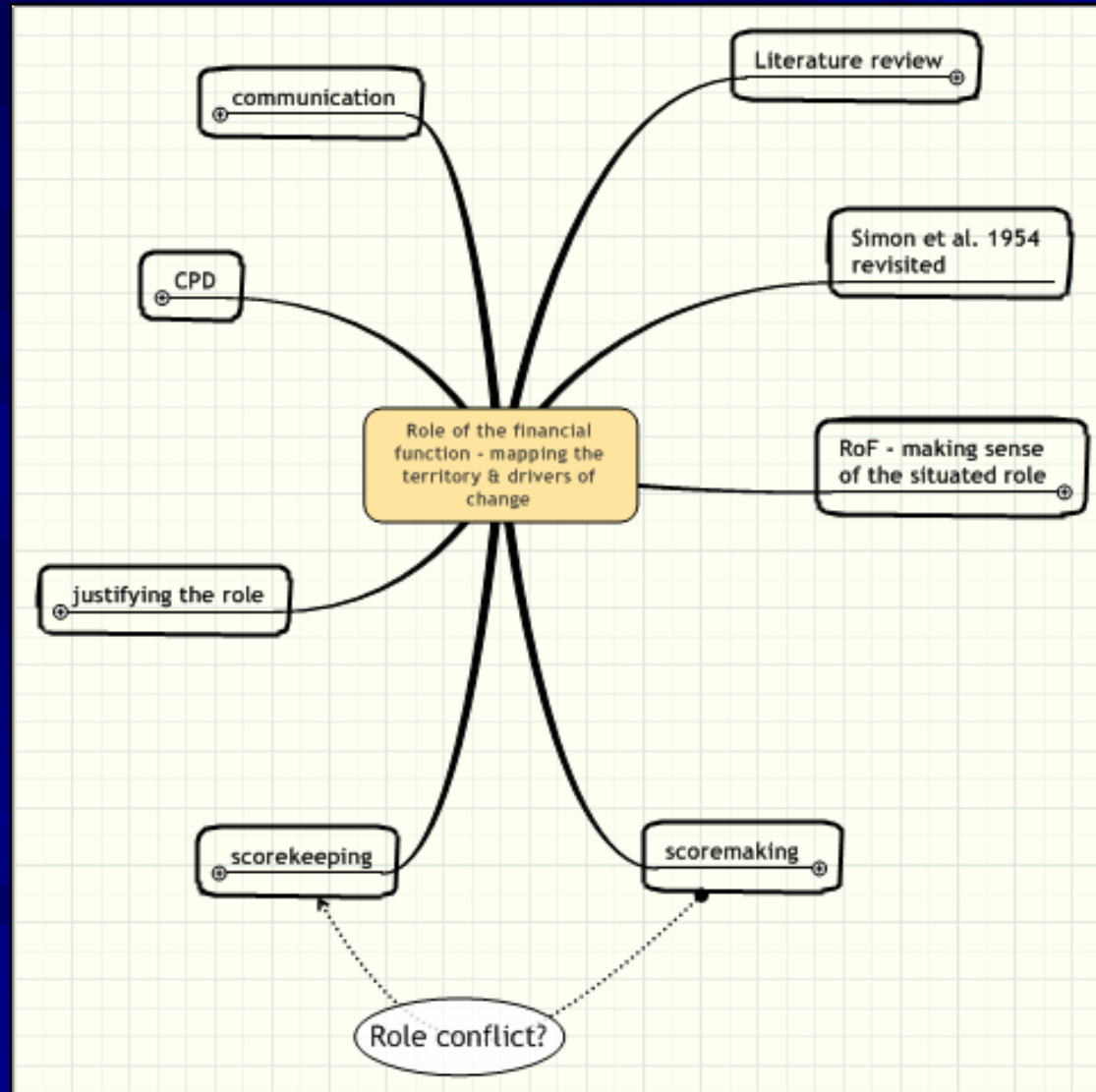


Role Of Finance

the evolving role of the finance function

'Creating value through better communications & decision making'

Role of the financial function - mapping the territory & drivers of change



What are the issues?

- What does the financial function actually do?
- Who does it? – Where located? - How?
- What use is it?
- What are the opportunities & threats?
- How can the purpose and modus operandi be explained to users?

The rise of the 'grey suit'

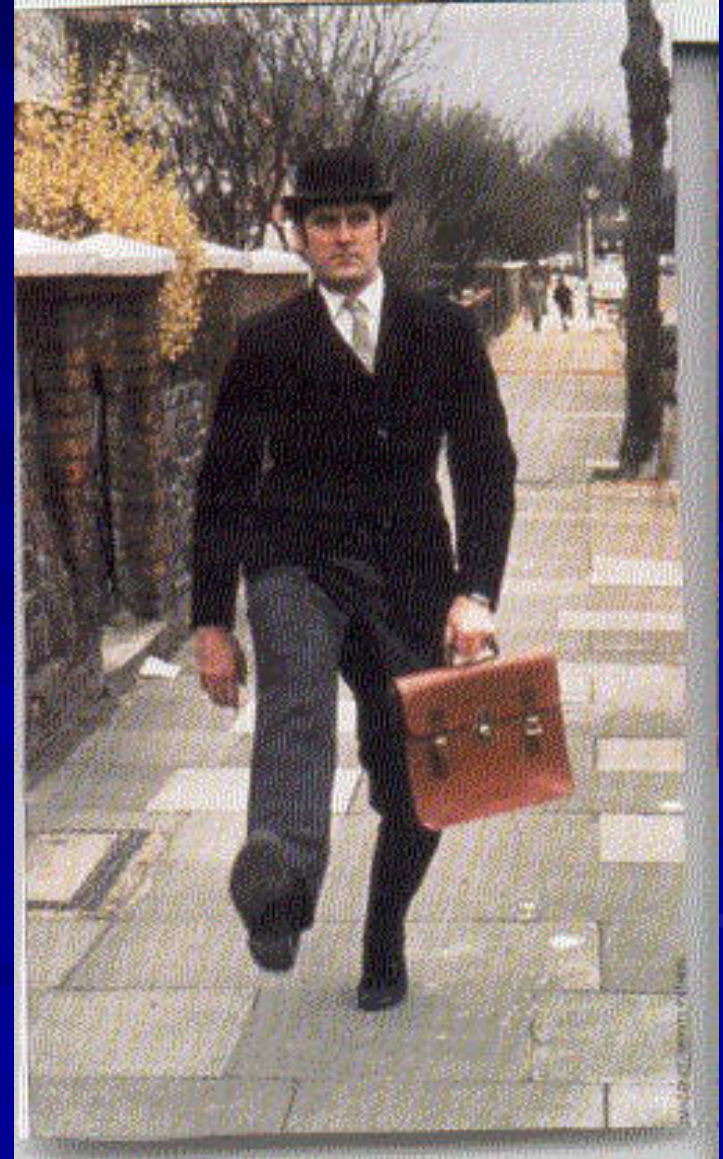
320,000 members + 301,000 students

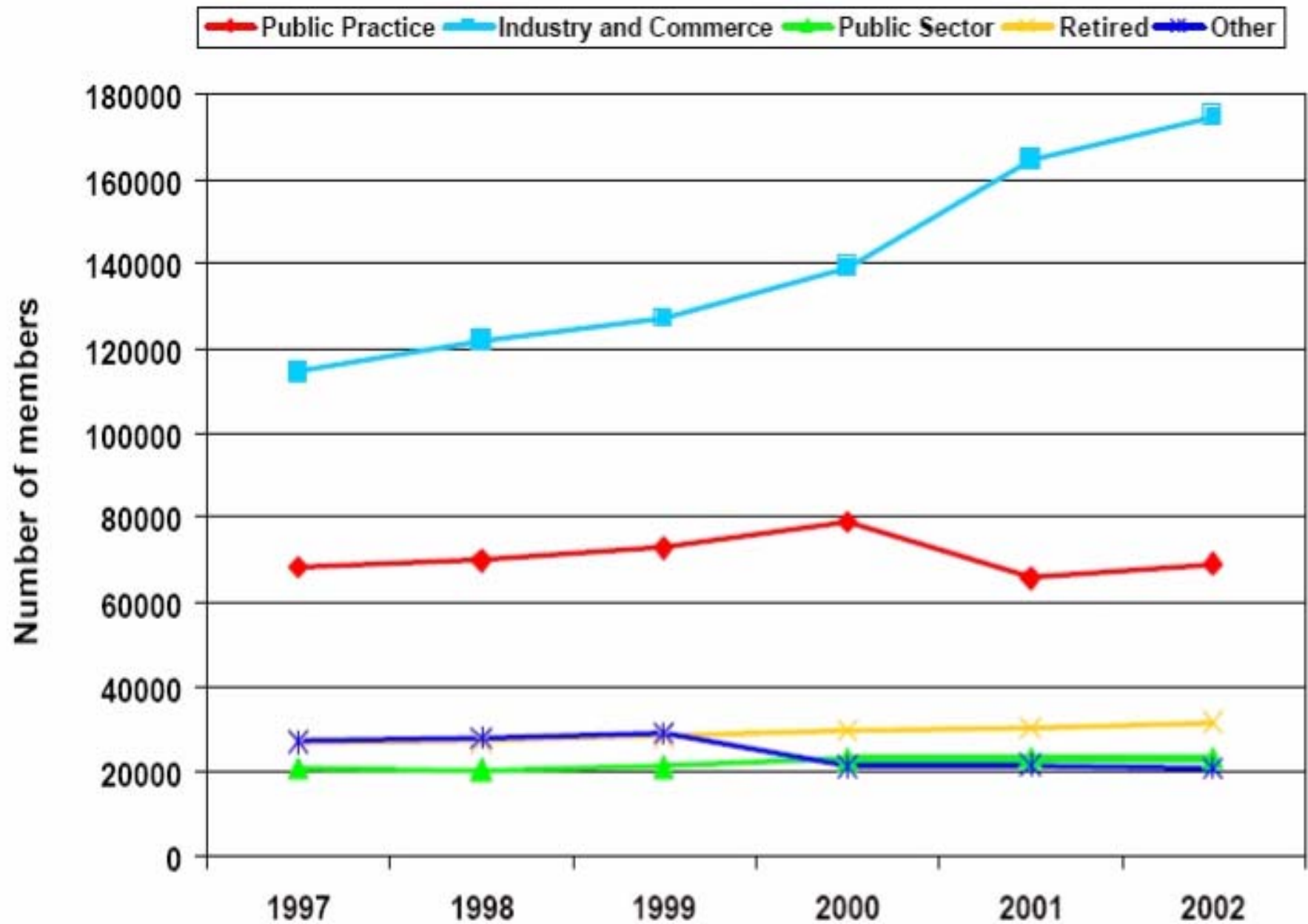
1997 to 2002

industry	+52.5%
public sector	+ 12.9%
public practice	+ 1.8%.

**(ACCA CIMA CIPFA
ICAEW ICAI ICAS)**

**KEY FACTS AND TRENDS
IN THE ACCOUNTANCY PROFESSION
The Financial Reporting Council (2004)**





So, accountants are necessary, but...

- Does your board agree?

- Can you convince them?



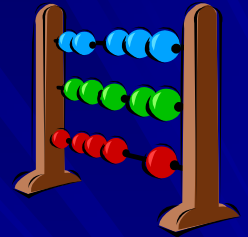
Challenges & opportunities

1. Explain the purpose of your own financial function to the management board
 - What do you do?
 - How do you support the organisation?
 - Do you add value/
 - Why are you indispensable?
2. What are you doing about getting better?
 - How will you do this?
 - What are the issues?
 - How will you know you've got better?
3. Can the job be done differently/cheaper?

Management expect the best of both worlds!

■ Scorekeeping

- cheap, fast, efficient, independent transaction processing leading to reliable financial reporting.

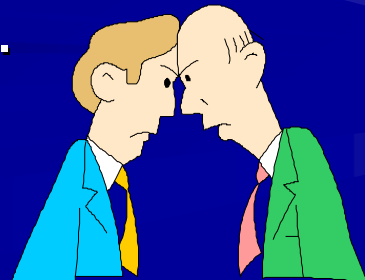


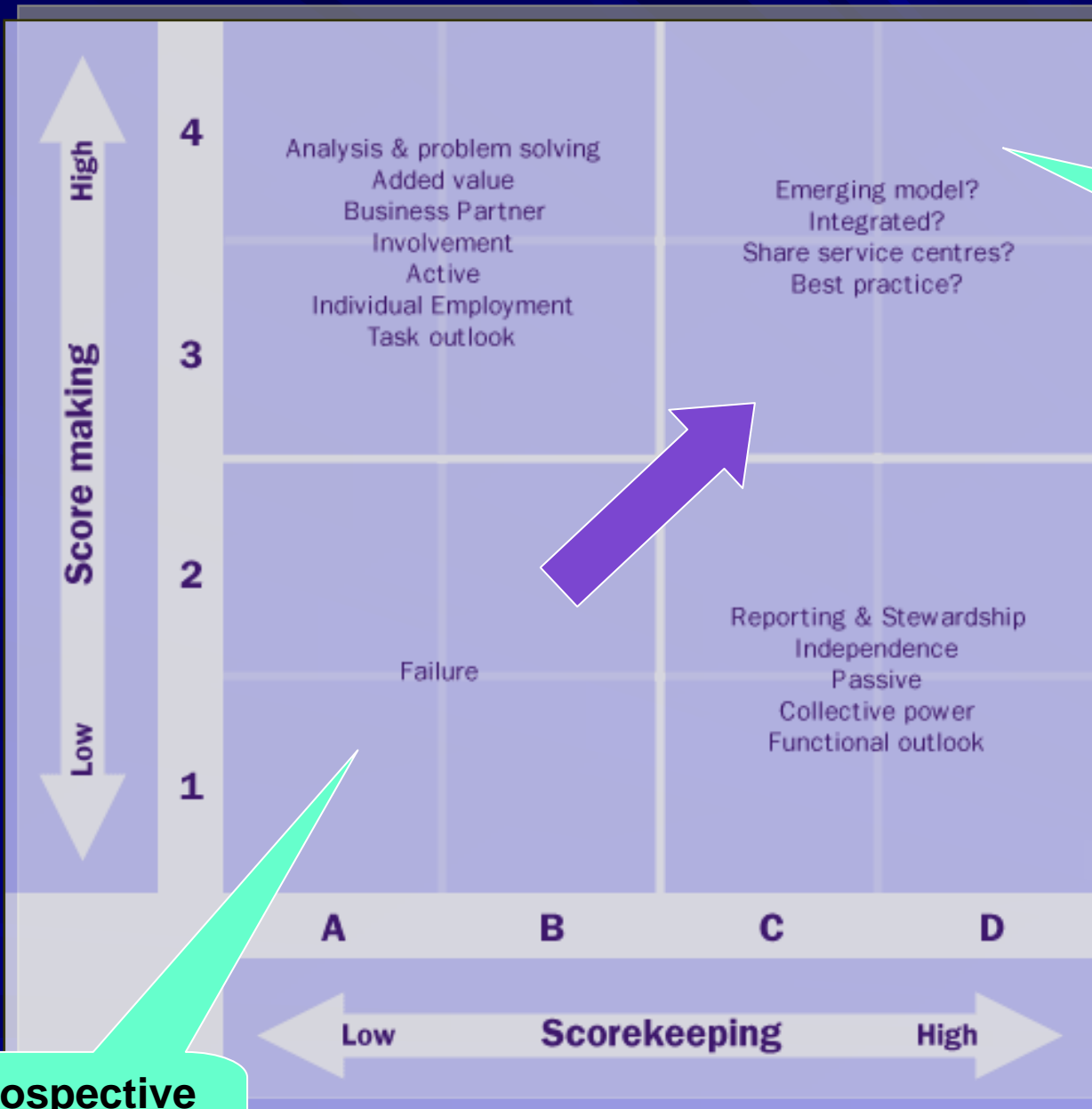
■ Scoremaking

- Adding value through a real understanding of the business,
- getting involved in task-driven teams and producing
- high quality information for decision making.



■ Potential for role conflict and confusion!

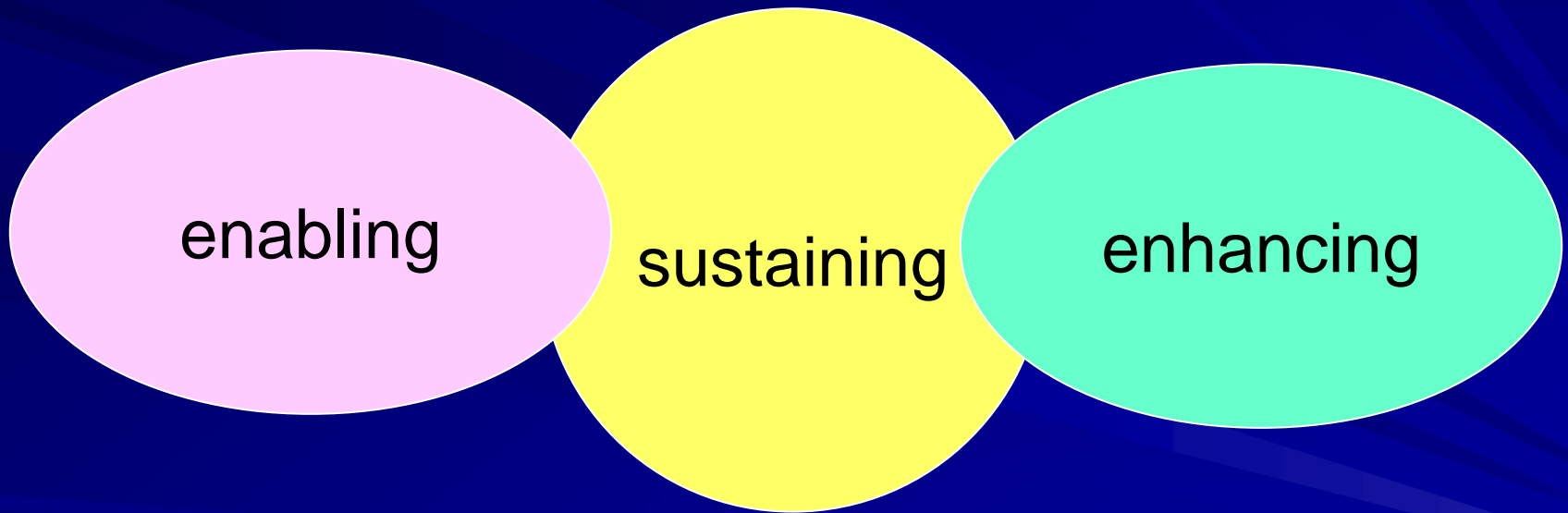




**development
& learning
- CPD**

**retrospective
introspection**

Generic functions



Potential role conflict

scoremaking

scorekeeping

scoremaking

enabling

sustaining

enhancing

finance

- funding
- investment

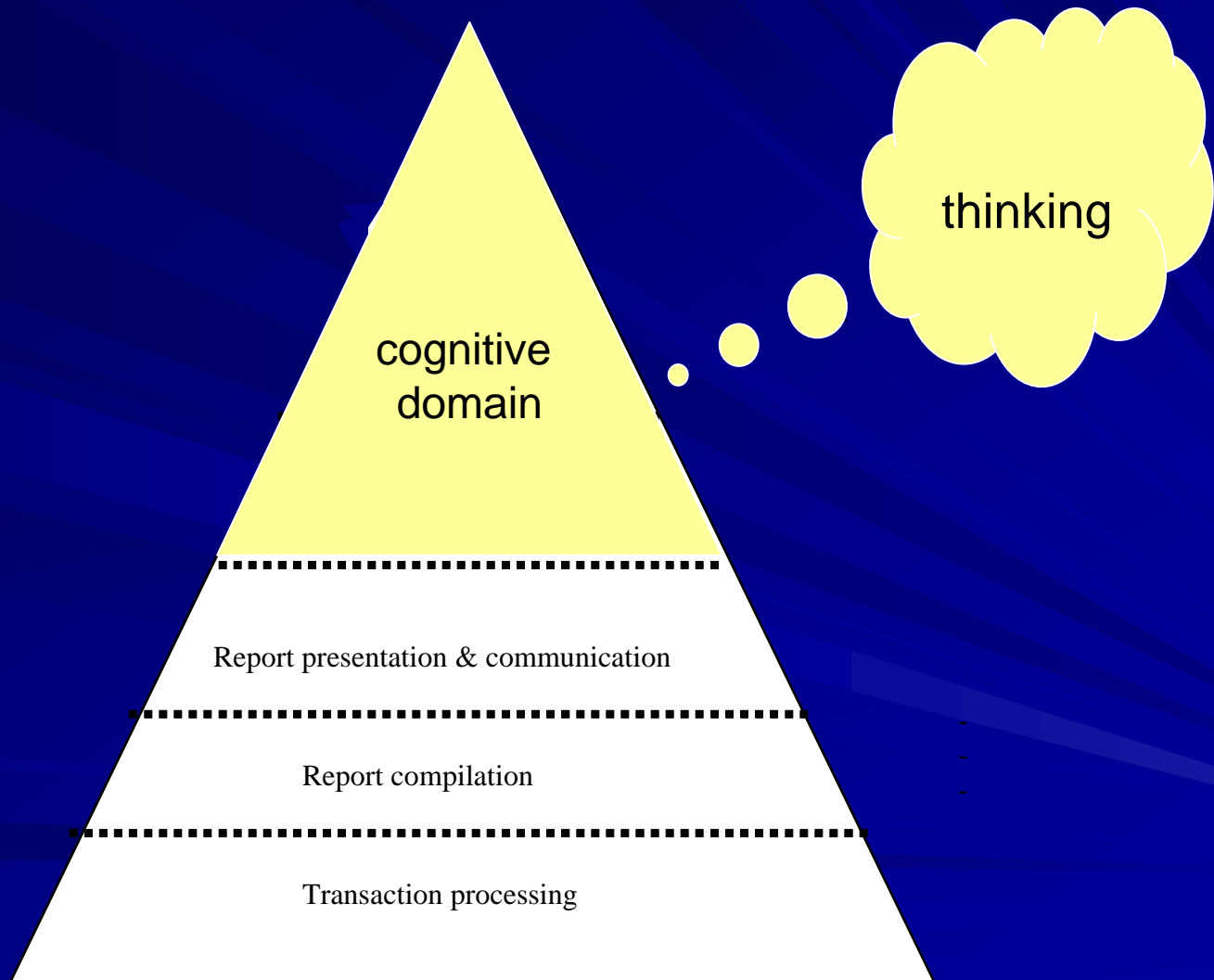
**financial
accounting**

- steward ship
- governance

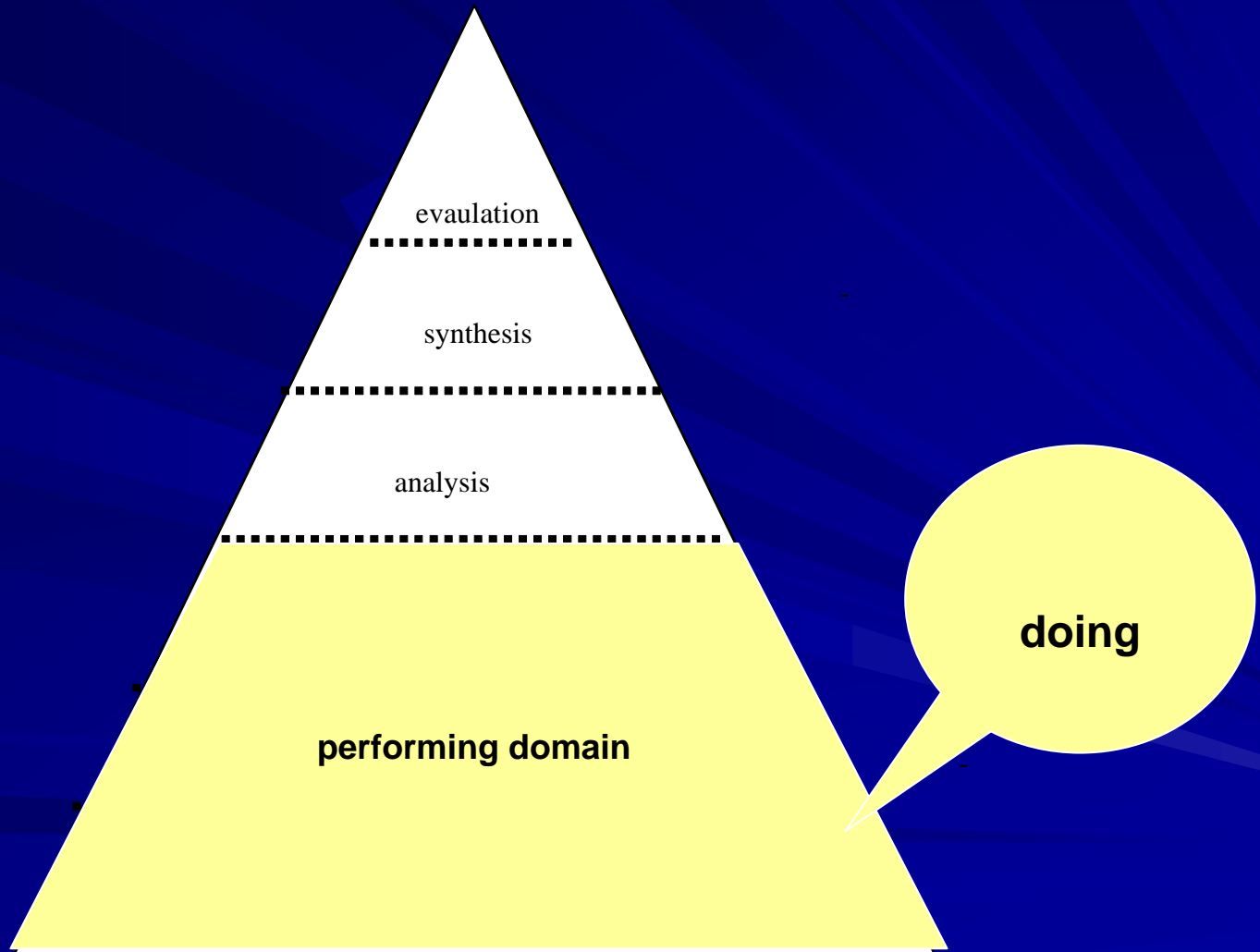
**management
accounting**

- business partner

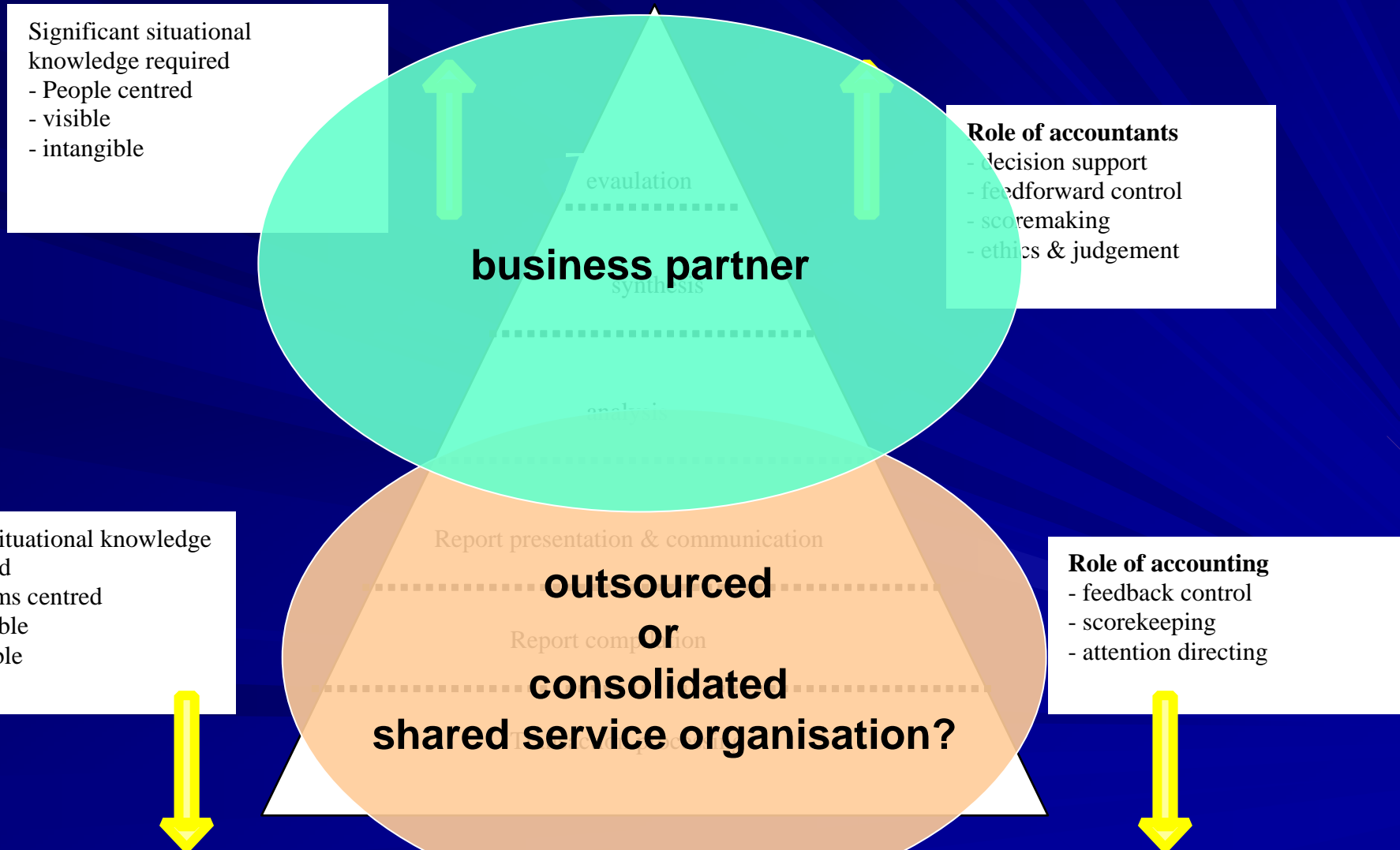
Roles of accounting and accountants



Roles of accounting and accountants



Roles of accounting and accountants



Based upon Simon et al. (1953)

Changes in business

- Technology
- Globalisation
- Investor power



= threats to firms from 'Increased Competition'

= threats to accountants from 'Inexpensive Information'

- **Albrecht and Sack (2000)**

Discussion

- What are the major changes that are anticipated in the FD's arena over the next 10 years?
- What pressures/issues are driving those changes?
- To what extent are these changes/drivers within the FD's control?
- Which of the FD's current functions are likely to reduce in significance over the next 10 years, and what will take their place?
- How can the FD best add value to the organisation in the future?
- What changes in organisational arrangements are needed in order to accommodate changes and reactions to change?
- How best to articulate the role of the financial function to management boards/committees?