



The Association of
Accountants and
Financial Professionals
in Business

The global
body for
professional
accountants



Drivers of change: global perspective

Introduction

This report outlines the main findings of a survey recently conducted by ACCA and IMA across their membership on 100 drivers of change for the global accountancy profession. It presents the three critical drivers of change in the short, the medium and the long term for a variety of businesses. By identifying and exploring emerging trends, it can help accountants and business leaders prepare for an uncertain tomorrow.

This report goes further than simply identifying critical drivers across various time frames: it explores the extent of their impact according to a firm's size, location and activity.

What is most telling from the analysis is that global accountants and senior executives share similar lines of thought. For instance, both accountants and senior executives emphasise the need for greater use of non-financial and integrated reports and the need for accountants to have a more strategic role. Both believe that accountants are essential for businesses to succeed in an uncertain and volatile environment that is expected to persist throughout the next decade and beyond.

This research draws on inputs from over 2,500 ACCA and IMA members to form the basis on how the profession can be better positioned to respond to the changing needs of business.

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About the survey

In 2012, ACCA and IMA conducted a global survey to identify future drivers of change that will affect businesses and the global accountancy profession across three time frames: the short term (up to three years into the future), the medium term (4–9 years) and the long term (10+ years).

Over 2,500 professional accountants and business leaders took part in the survey, representing the different sectors of the global economy.

Respondents were asked to rate each driver on a scale of 1 to 7, where 1 indicates no impact and 7 indicates that a significant impact is expected. The mean scores for each driver are reported here.

FURTHER READING

Other reports related to ACCA's global Drivers of Change survey are also available:

- *Drivers of Change in the UK* (ACCA and IMA, February 2013)
- *Drivers of Change in the US* (ACCA and IMA, February 2013)
- *Drivers of Change in Asia-Pacific* (ACCA and IMA, February 2013)
- *100 Drivers of Change for the Global Accountancy Profession* (ACCA and IMA, September 2012)

www.accaglobal.com/futures

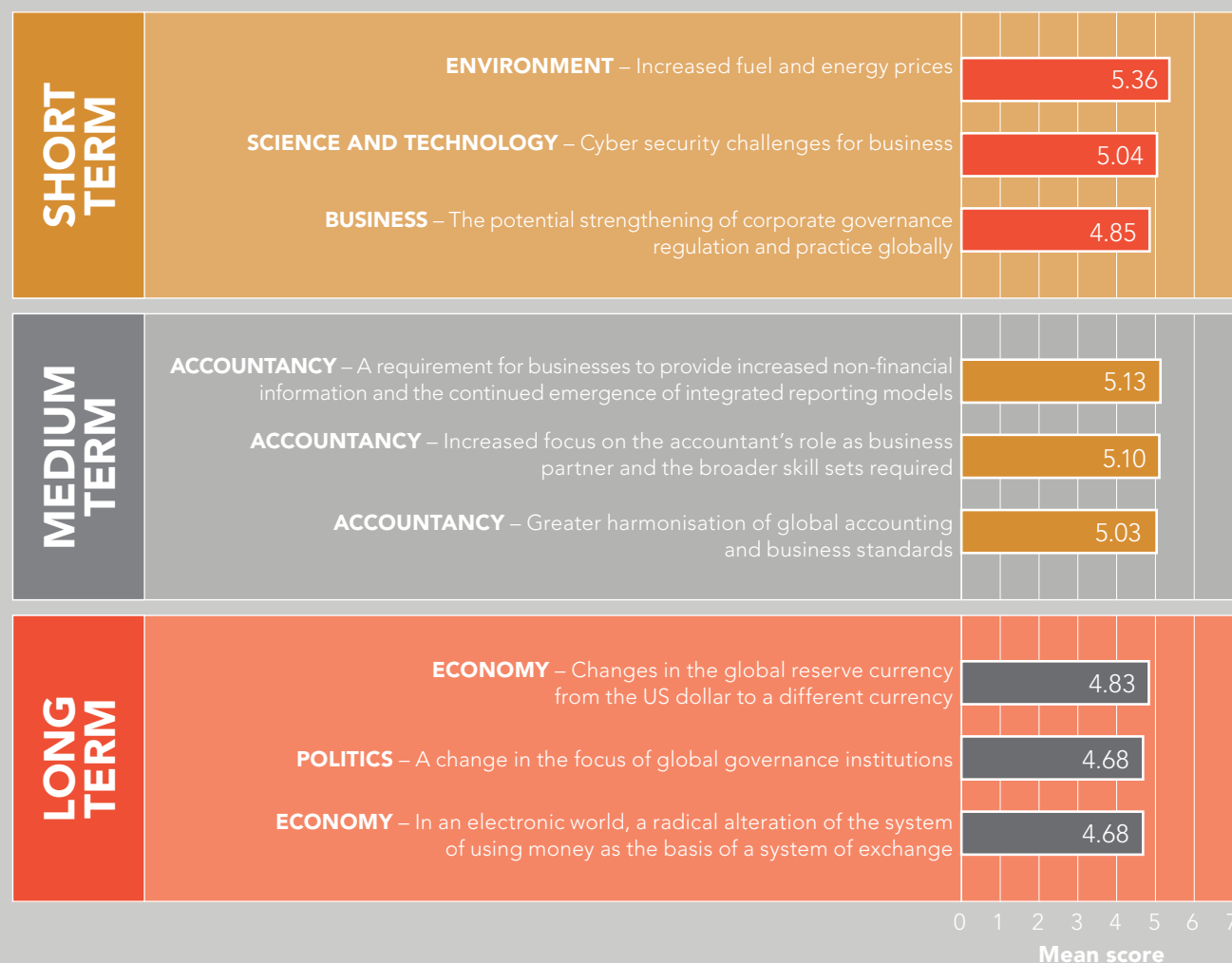


Key findings: drivers and their impact

In the immediate future, businesses and the accountancy profession are most concerned, by far, with rises in fuel and energy prices. Nonetheless, in the more distant future, trends related directly to the profession, the economy or politics play a greater role.

Accountants will in future be expected to play a far greater role in everything from strategic decision making to the design of new revenue models while maintaining a balance between financial stewardship and entrepreneurship in a global economy where businesses are operating in a volatile, uncertain and competitive environment.

TOP THREE DRIVERS IN THE SHORT, MEDIUM AND LONG TERM



Key findings: short term

Globally, the rise in energy and fuel prices will be the most pressing issue facing businesses and the profession until 2015. The price rise in fuel and energy has a twofold effect with an almost immediate impact: it increases businesses' operating costs and decreases consumer spending.

'High cost of fuel and energy reducing overall business profits'

'Operating costs driven by energy scarcity'

The second critical short-term driver identified is the cyber security challenge posed by an array of threats. As the world has become more reliant on computers and the continued digitisation of financial services, this has exposed individuals and organisations to threats from cyberspace; new forms of cyberterrorism, cybercrime and cyberfraud will continue to emerge.

The third critical driver that is expected to play a role in the immediate future is the evolution and strengthening of global corporate governance regulation and practice, a reflection of how businesses are now operating in a truly global environment.

TOP THREE DRIVERS (SHORT TERM)



Analysis: by region and country

The increase in energy and fuel prices was the driver of most concern identified by respondents based in the UK and US (a mean score of 5.49 and 5.43 respectively) while those based in Asia-Pacific were the least concerned (5.16).

Similar patterns were reported on cyber security challenges; American respondents were by far the most concerned (5.36, second critical driver) and those based in Asia-Pacific were the least (4.80).

While the strengthening of global corporate governance regulations and practices has in general been identified as the third most important driver, respondents based in Europe and Asia-Pacific identified the ease and continued spread of internet access as the third most important driver. The spread of publicly available Wi-Fi also means that continuous connectivity is becoming a reality. Internet black spots are becoming fewer and further apart and where no internet connectivity can be found Wi-Fi is quickly becoming a suitable and reliable alternative.

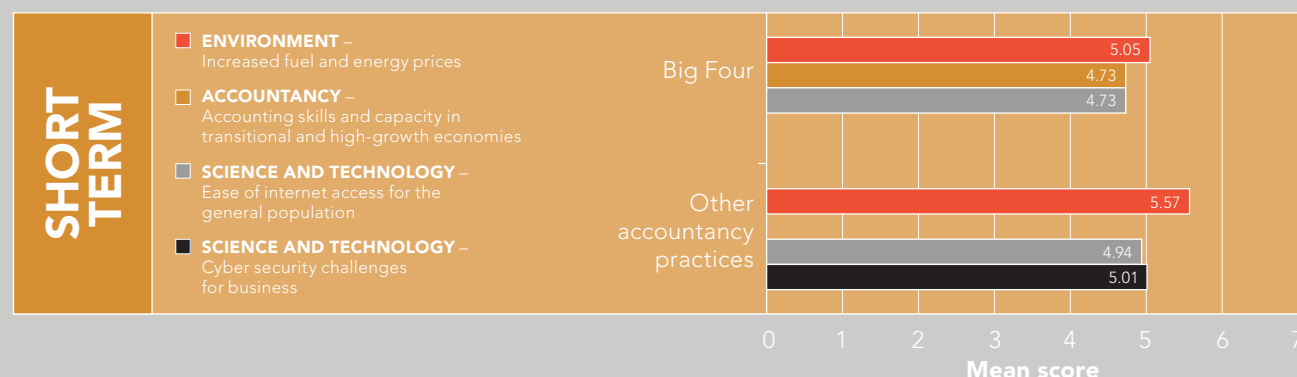
Analysis: by size and sector

The rise in energy and fuel prices and the cyber security challenge were the concerns most reported by companies irrespective of their size. It is no surprise, however, that small and medium-sized enterprises (SMEs) reported higher levels of concern for rising fuel prices and energy costs as they represent a heavier burden for them than for larger organisations.

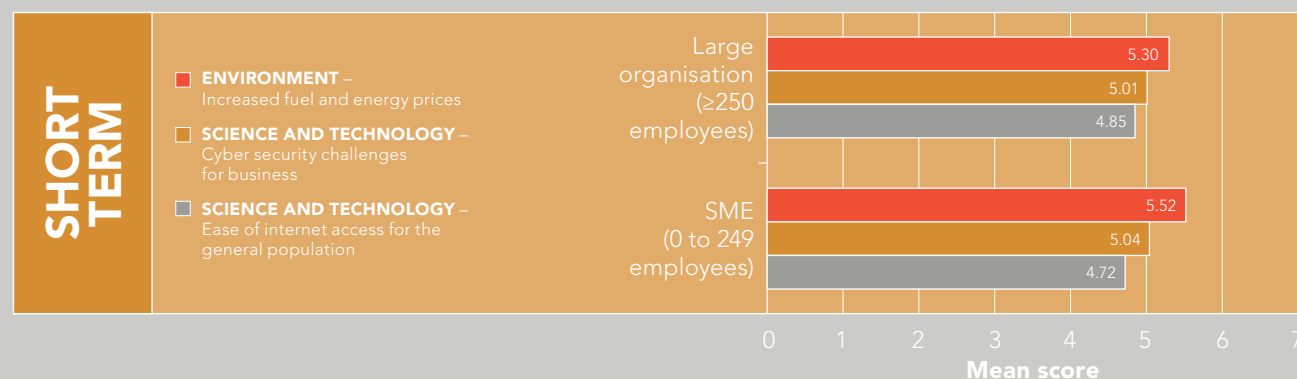
Large organisations (≥250 employees) placed 'the potential strengthening of corporate governance regulation and practice globally' in third place in their list of concerns while SMEs gave more importance to the 'ease of internet access for the general population'. To some extent, this reflects the environment in which businesses of different sizes operate: whether they have global reach or are more immediately concerned with local issues.

Accountancy firms, the big ones in particular, have highlighted the skills and the capacity of the profession in transitional and high-growth economies as the second most important driver in the immediate future. On the other hand, financial services businesses are most concerned with the increase in complexity of both legal regulation and the business environment itself.

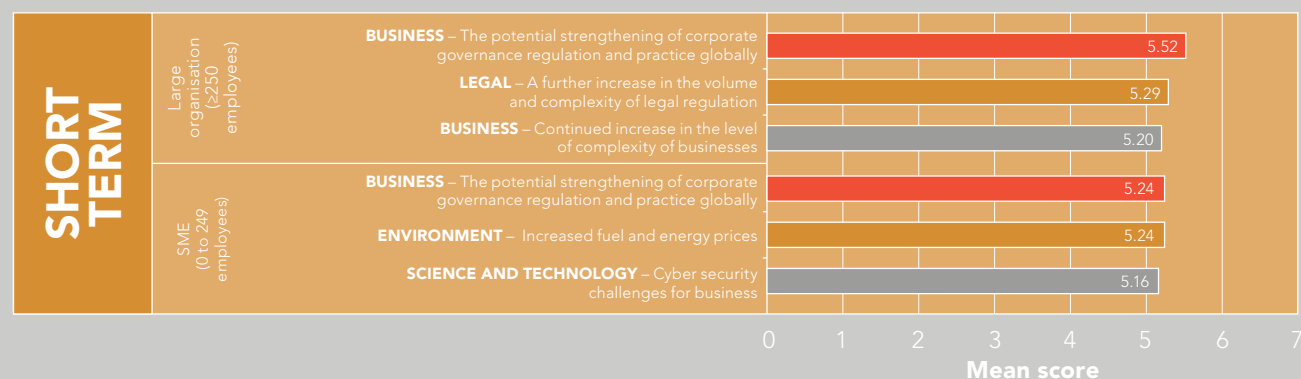
TOP THREE DRIVERS: ACCOUNTANCY PRACTICES



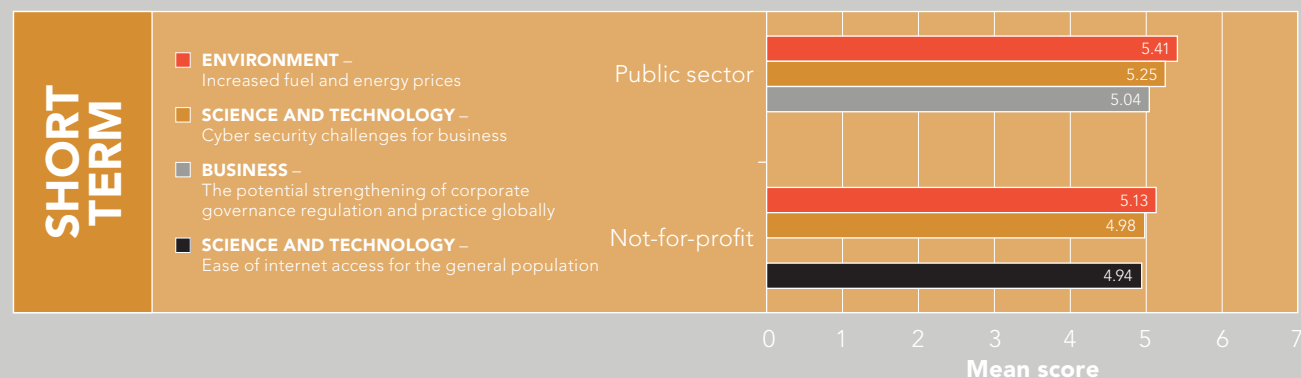
TOP THREE DRIVERS: CORPORATE SECTOR



TOP THREE DRIVERS: FINANCIAL SERVICES



TOP THREE DRIVERS: PUBLIC SECTOR AND NOT-FOR-PROFIT



Analysis: by role of respondents

INCREASE IN FUEL AND ENERGY PRICES

CITED BY



3 out of **4**

senior executives, accountants
and internal auditors

A FURTHER INCREASE IN THE VOLUME AND COMPLEXITY OF LEGAL REGULATION

CITED BY

senior executives: **64%**
internal auditors: **74%**

CYBER SECURITY CHALLENGES

CITED BY



2 out of **3**

senior executives and accountants

THE POTENTIAL STRENGTHENING OF CORPORATE GOVERNANCE REGULATION AND PRACTICE GLOBALLY

CITED BY OVER

60%
of accountants and managers

Key findings: medium term

The global economy is underpinned by a complex infrastructure that allows it to function. In this infrastructure, the accountancy profession plays a large role.

The most significant driver that is expected to have the most impact in the medium term (2016 to 2022) is the requirement for businesses to provide increased non-financial information and the continued emergence of integrated reporting models. Non-financial information is increasingly recognised as being as important as financial information in affecting business value and risk. In response to demands for a holistic picture of organisational health, models of integrated reporting are also being increasingly adopted.

The need for the profession to broaden its scope and to take on a more strategic role, by becoming an important and integral business partner, was the second most critical driver identified.

TOP THREE DRIVERS (MEDIUM TERM, 4–10 YEARS)



'Change the way accounting is viewed. Accountants becoming a more integral part of the decision-making process'

As businesses globalise beyond traditional boundaries and more economies open up and adapt to global practices and norms, the need for global regulation increases. Greater harmonisation of global accounting and business standards was reckoned third in order of importance.

Analysis: by region and country

The increased need for non-financial information and the continued emergence of integrated reporting models were the main drivers cited by European (excluding UK) and Middle-Eastern respondents. They were also the most concerned with the move towards greater harmonisation of global accounting and business standards.

On the other hand, US-based respondents placed more emphasis on the shift in demographics, the changing balance in the workforce and the increasing welfare needs of an older society, these being their main drivers in the medium term.

The second critical global driver, the closer focus on the accountant's role as business partner, topped the list for UK and Asia-Pacific respondents. The increasing importance of and pressures from BRIC economies (Brazil, Russia, India and China), as they become significant markets and sources of future competition, was cited as the second most important driver for respondents based in the UK and Asia-Pacific.

TOP THREE DRIVERS: CORPORATE SECTOR UK VS GLOBAL



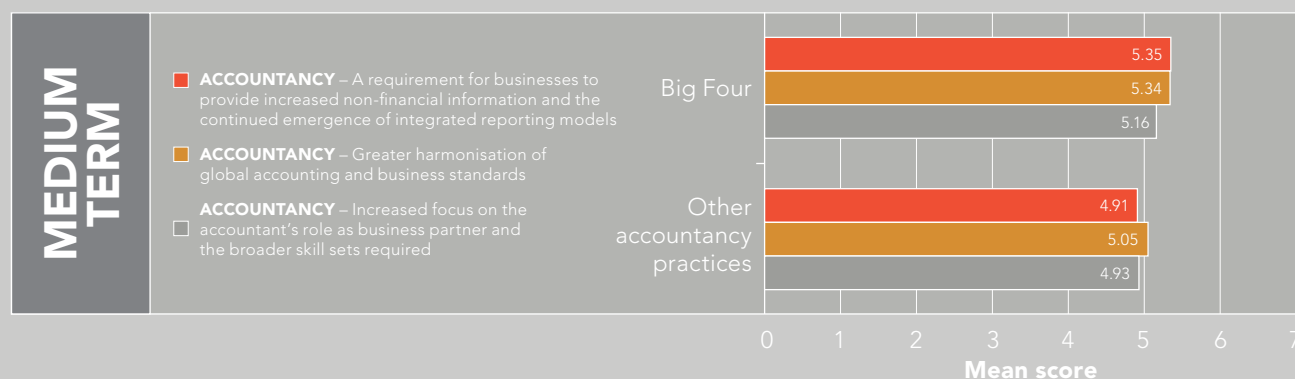
Analysis: by size and sector

Irrespective of their size, organisations reported the same three drivers as the most important in the medium term.

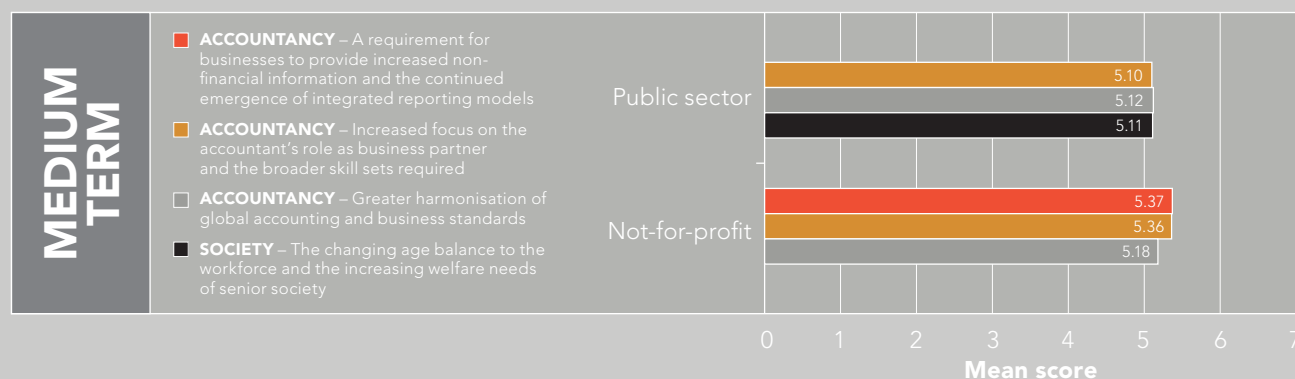
Medium and large organisations regarded the increasing role of non-financial information and the evolution of integrated reporting models as their main drivers of change. This was followed by the changing role of accountants and their expanding remit, which will encompass a new range of evolving demands and services. The new demands on accountants might involve greater input into corporate strategy, mergers and acquisition deals, and interaction with the media and policymakers. In addition to this, accountants may be expected to display greater responsibility in risk management and ensuring that strategic decisions bring about sustainable value.

In general, SMEs, irrespective of the sector in which they operate, reported 'greater harmonisation of global accounting and business standards' as the main driver that will have the greatest impact in the medium term. The increased focus on the accountant's role as a business partner and the broader skill sets required were identified as the third critical driver.

TOP THREE DRIVERS: ACCOUNTANCY PRACTICES



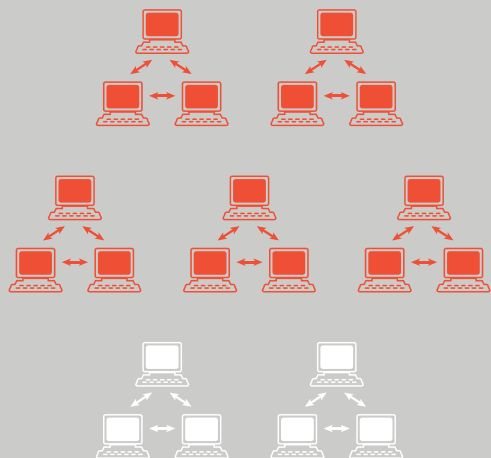
TOP THREE DRIVERS: PUBLIC SECTOR AND NOT-FOR-PROFIT



Analysis: by role of respondents

A REQUIREMENT FOR BUSINESSES TO PROVIDE INCREASED NON-FINANCIAL INFORMATION AND THE CONTINUED EMERGENCE OF INTEGRATED REPORTING MODELS

CITED BY



5 out of **7**
senior executives

INCREASED FOCUS ON THE ACCOUNTANT'S ROLE AS BUSINESS PARTNER AND THE BROADER SKILL SETS REQUIRED

CITED BY



5 out of **7**
senior executives



3 out of **4**
accountants

GREATER HARMONISATION OF GLOBAL ACCOUNTING AND BUSINESS STANDARDS

CITED BY



2 out of **3**
senior executives



5 out of **7**
accountants

Key findings: long term

The main drivers expected to have the greatest impact on businesses and the accountancy profession from 2023 onwards are concerned with changes in the current roles of currencies, where the position of the US dollar, as the global reserve currency and the commonly accepted store of value and means of exchange, is being questioned. An example of the challengers is Bitcoin, a purely peer-to-peer digital currency that is traded online without going through a financial institution.

The focus of global governance institutions has also been cited as one of the top three long-term drivers. Institutions such as the World Bank, IMF and UN are faced with greater pressures to respond to global changes from emerging nations that are becoming more influential. At the same time, there is an increase in the number of institutions operating on a regional level (for example: the Association of Southeast Asian Nations (ASEAN) and the Gulf Cooperation Council).

TOP THREE DRIVERS (LONG TERM, 10+ YEARS)



Analysis: by region and country

Across most regions, the 'changes in the global reserve currency from the US dollar to a different currency (eg the EUR and CNY)' topped the list as the strongest driver. Respondents from the US and Asia-Pacific gave this the highest rating (and those in the Middle East, the lowest). In the aftermath of global financial turbulence and continued economic uncertainty in the US, the role of the US dollar as the global reserve currency is being increasingly questioned. The shift in global financial power to the East is already being reflected in the rise of dim sum bonds (bonds denominated in Chinese yuan, issued in Hong Kong) and the broadening range of global currencies being held by countries around the world.

British and European respondents were the only ones who rated 'a change in the focus of global governance institutions – via either increasing influence wielded by emerging global powers, or an increase in the number and influence of regional institutions' to be the second most important driver.

The second critical driver in the next decade and beyond for respondents from the US and Asia-Pacific was the potential radical change away from conventional money as the basis for a system of exchange in response to a more electronic economy.

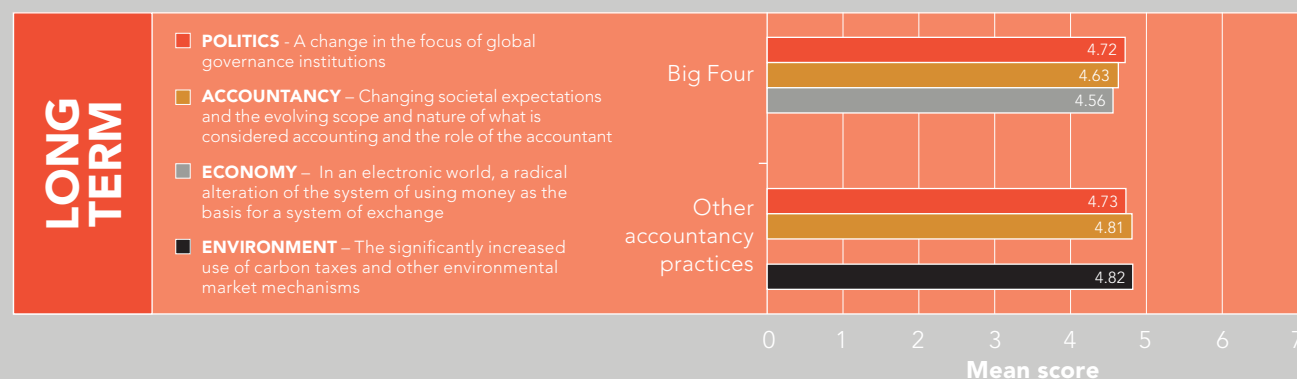
The changing societal expectations and the evolving scope and nature of what is considered to fall within the remit of accountancy and the role of the accountant were identified as important drivers by respondents from the Middle East and Asia-Pacific (rated first and third respectively).

Analysis: by size and sector

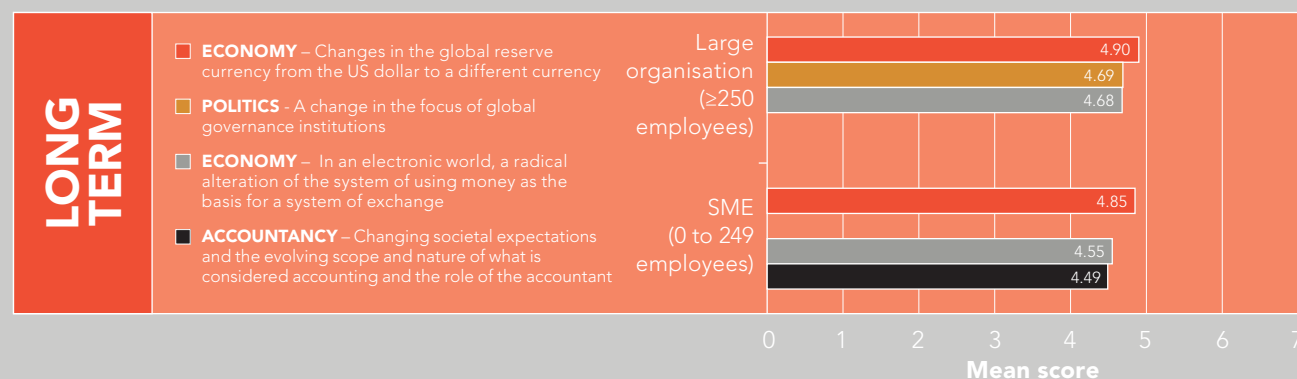
For SMEs the second driver was the radical change away from conventional money as the basis for a system of exchange to other systems. Changing societal expectations and the evolving scope and nature of what accountancy is considered to be, together with the role of the accountant, were the third most important driver.

On the other hand, large organisations reported that the change in the focus of global governance institutions was the second most important driver, followed by the potential change away from conventional money as the basis for a system of exchange.

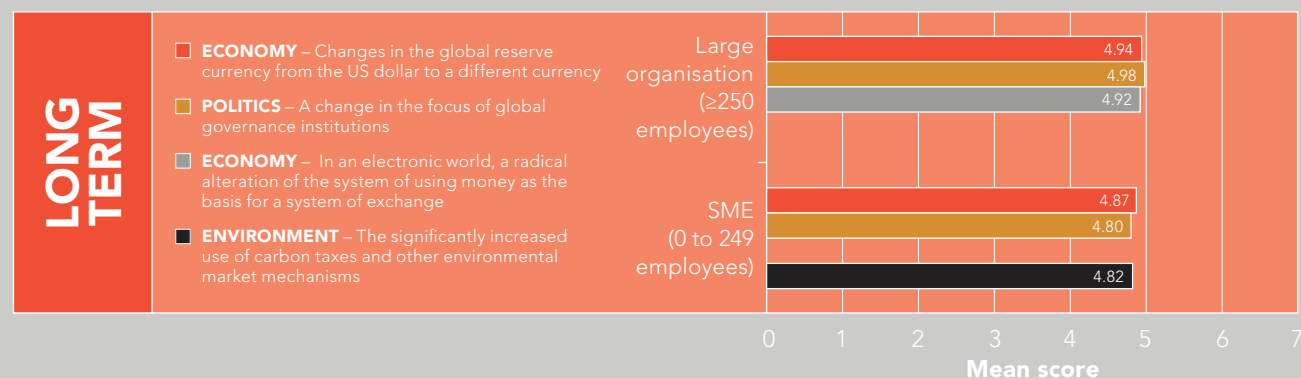
TOP THREE DRIVERS: ACCOUNTANCY PRACTICE



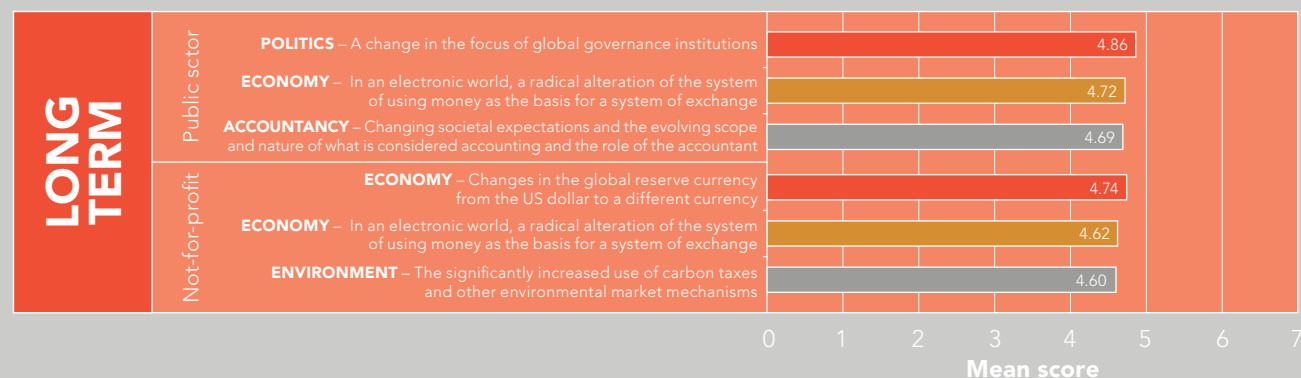
TOP THREE DRIVERS: CORPORATE SECTOR



TOP THREE DRIVERS: FINANCIAL SERVICES



TOP THREE DRIVERS: PUBLIC SECTOR AND NOT-FOR-PROFIT



Analysis: by role of respondents

CHANGES IN THE GLOBAL RESERVE CURRENCY FROM THE US DOLLAR TO A DIFFERENT CURRENCY (EG THE EURO OR YUAN)

CITED BY

senior executives: **60%**
accountants: **65%**

A CHANGE IN THE FOCUS OF GLOBAL GOVERNANCE INSTITUTIONS – VIA EITHER INCREASING INFLUENCE WIELDED BY EMERGING GLOBAL POWERS, OR AN INCREASE IN THE NUMBER OF REGIONAL INSTITUTIONS

CITED BY

56%
senior executives and accountants

A POTENTIAL RADICAL CHANGE AWAY FROM CONVENTIONAL MONEY AS THE BASIS FOR A SYSTEM OF EXCHANGE

CITED BY

54%
accountants and senior managers

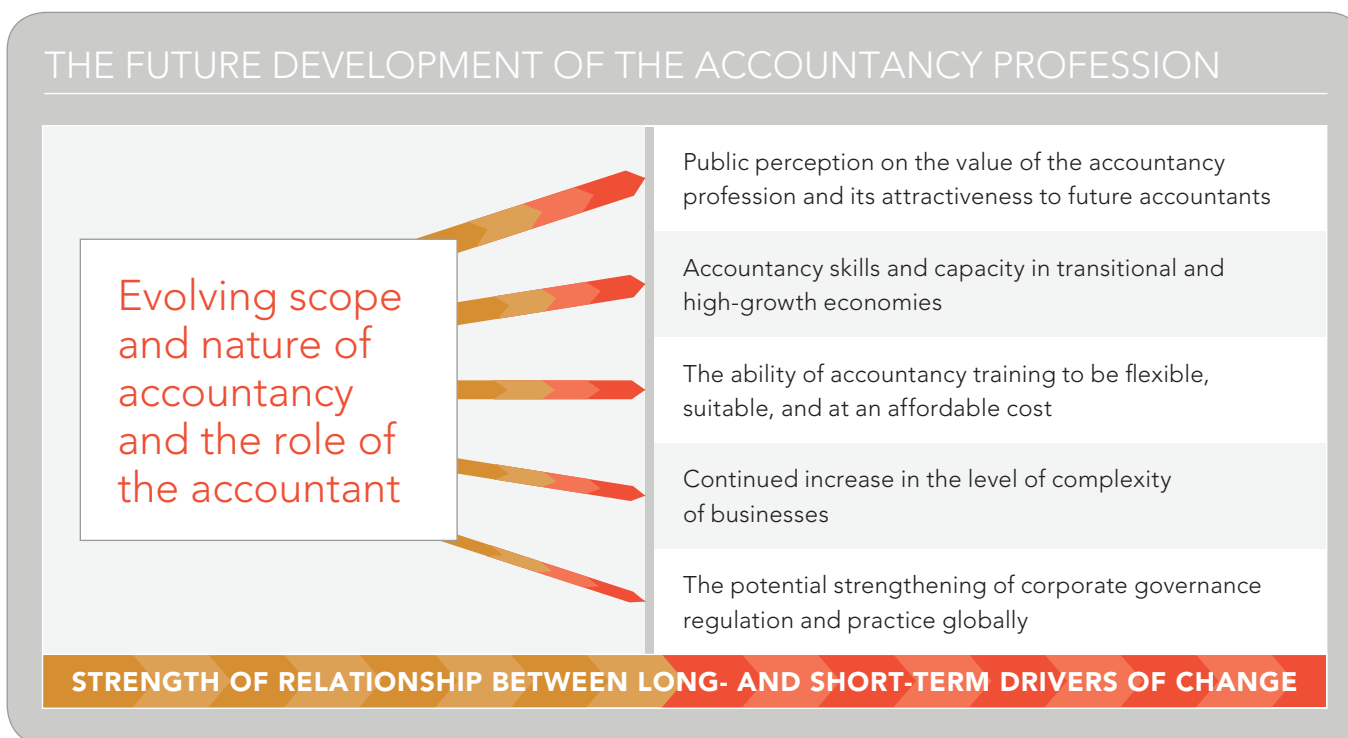
Drivers and how they relate to each other

This section of the report considers the relationship between the short-term and long-term drivers.

There are two areas where correlations exist between what respondents believe are key short- and long-term drivers of change. Perceptions of the changing societal expectations of accountancy and of accountants themselves correlate with a number of other drivers, as do concerns about increased fuel and energy prices.

Those who responded that the prices of fuel and energy are a significant driver in the immediate future also tended to rate the increase in carbon taxes and environmental mechanisms as a major driver of change in the next decade and beyond.

The other area where a strong relationship has been found between a long-term driver and a series of short-term drivers is the changing societal expectations and the evolving scope and nature of what accountancy is considered to be, together with the role of the accountant. The diagram opposite illustrates the degree of their relationship; the strength of the relationship is indicated by the intensity of the line.



Five imperatives for the accountancy profession

1

EMBRACE AN ENLARGED STRATEGIC AND COMMERCIAL ROLE

Opportunities are emerging for accountants to assume a far greater organisational remit. The potential exists to leverage the capabilities of the accountant across all aspects of corporate decision making from strategy formulation through to defining new business models.

2

ESTABLISH TRUST AND ETHICAL LEADERSHIP

The profession needs to be seen to be addressing clear public concerns. There is a perception that it could do more to highlight and prevent everything from small-scale financial irregularities through to the major systemic failures that helped cause the global financial crisis and ensuing economic uncertainty.

3

FOCUS ON A HOLISTIC VIEW OF COMPLEXITY, RISK AND PERFORMANCE

There is growing consensus on the need for reporting to provide a holistic perspective of a business and that this perspective must acknowledge the complexity of modern business and encompass financial and non-financial indicators of a firm's financial status and potential.

4

DEVELOP A GLOBAL ORIENTATION

The pace of global expansion of firms from developed and developing markets alike is emphasising the need for accounting and finance professionals to master the technical, language and cultural challenges of cross-border operations.

5

REINVENT THE TALENT POOL

The diverse range of demands and impacts on the profession is forcing a rethink of everything from training and development through to the type of people being recruited.

Five imperatives for business

1

ASSUME AND PLAN FOR VOLATILITY

With uncertainty as the new normal, businesses have to factor in turbulence as a very real possibility and develop strategies for a range of different economic and market scenarios.

2

BUILD THE RADAR

Systematic, organisation-wide approaches are required for scanning the future external environment. Preparing for a wide range of possibilities, tolerance of uncertainty, curiosity and 'seeing round corners' are becoming critical development priorities for managers and leaders alike.

3

PURSUE TECHNOLOGY LEADERSHIP

The pace and disruptive potential of information and communications technology (ICT) development has placed technology at the heart of strategy and operations of businesses of almost every size. New mindsets and approaches to technology management are required to exploit and extract full value from the next decade of advances.

4

PREPARE FOR TRUE GLOBALISATION

Development of a truly global operating model is becoming a priority. A clear emphasis is required on leveraging technology effectively. Equally important is developing the capability of management to work with, adapt to and get the best out of a multi-location, multi-cultural and age-diverse workforce.

5

DEVELOP A CURIOUS, EXPERIMENTAL AND ADAPTABLE MINDSET

A critical success factor in an increasingly complex and fast-changing environment is building a 'curious' culture. This implies nurturing an environment that is open to external ideas and in which participants are encouraged to forge a network of strong working relationships across the entire business ecosystem.

Methodology

This report presents mean scores because they help to provide one single result for a scale question that is representative of all the scores assigned by all the respondents, which is calculated by giving an average of those scores. This helps to give a quick understanding of the general opinion across a whole group, while still taking the full results into account. It also can help to make a clear distinction between the results of a large number of scale ratings, and that single score per rating then enables a ranking to be calculated that is based on highest rated first.

The mean scores are based on base sizes of at least 40 responses used in market research (which aims toward a 90% confidence level). When 'low base size' is indicated, this means the proportion

answering the question of all who could have answered is low, and hence the results have a wider margin of error. They are at lower level of statistical reliability than the generally high standard used in reporting market research results where there are at least 40 responses.

Where percentages are reported these are based on the top three drivers that have been identified, which are then analysed by respondents' job roles. The figures express the percentage of respondents by job role saying they expect a particular driver is going to have an impact.

Correlation

By looking at how individuals who answered a specific question in a certain way then answer

another question, patterns can be established that can provide a better understanding of trends and relations in respondents' sets of beliefs, and correlations can be identified.

Pearson's correlation coefficient was used to look for apparent correlations between what respondents believe are key short-term and long-term drivers of change. This helped in determining how issues that respondents believe are likely to have the most effect in the near future relate to what they believe are likely to be particular concerns later on.

About the author



Faye Chua is ACCA's head of future research and leads its global research and insights programme that focuses on the future directions of business and the accountancy profession across a range of subjects. She has over 10 years of experience in research across different sectors of the economy and has worked in North America, Asia-Pacific and Europe.

About ACCA

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

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies in all stages of development. We aim to develop capacity in the profession and encourage the adoption of global standards. Our values are aligned to the needs of employers in all sectors and

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

We support our 147,000 members and 424,000 students in 170 countries, helping them to develop successful careers in accounting and business, with the skills needed by employers. We work through a network of 83 offices and centres and more than 8,500 Approved Employers worldwide, who provide high standards of employee learning and development.

About IMA®

IMA® (Institute of Management Accountants), the association for accountants and financial professionals in business, is one of the largest and most respected associations focused exclusively on advancing the management accounting profession. Globally, IMA supports the profession through research, the CMA® (Certified Management Accountant) programme,

continuing education, networking, and advocacy of the highest ethical business practices. IMA has a global network of more than 60,000 members in 120 countries and 200 local chapter communities. IMA provides localised services through its offices in Montvale, N.J., USA; Zurich, Switzerland; Dubai, UAE; and Beijing, China.

The Accountancy Futures Academy

The Accountancy Futures Academy contributes to ACCA's programme of research and insights with powerful visions of the future. It provides a platform to look forward, to tune into the emerging trends and discussions in the global business and policy spheres and the latest reforms facing the world of finance.

By looking to the future it helps the profession stay at the cutting edge. The Academy's work fosters fresh thinking and innovative discussions, identifies the barriers to and facilitators of tomorrow's successes, and identifies the potential strategies that will enable business and finance to navigate the choppy waters that lie ahead.

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