

Research Insights on Accountancy Expertise and Business Performance: An Overview



Assessing and understanding the relationship between accountancy expertise and business performance is complex and requires consideration of what accountancy expertise entails, as well as the wide range of performance measures. A research report released by the International Federation of Accountants (IFAC) demonstrates, through a review of existing literature, the positive association between use of professional accountants for expertise and advice, and business performance. “It has long been assumed that taking advantage of the breadth and depth of experience and expertise of professional accountants helps organisations optimise performance, efficiencies, and more. It is heartening to see robust global evidence in support of this relationship,” said IFAC CEO Fayez Choudhury. “The report finds that organisational development and performance lead to increased use of accountancy expertise, and accountancy expertise leads to superior performance and development.” Commissioned by IFAC, researchers at the Bucharest University of Economic Studies conducted a literature review of more than 90 academic research papers. The full report details the results while the Key Findings, released recently, summarises notable insights. The research was facilitated by the University of Dayton in accordance with an agreement with IFAC. This article provides an overview of that research. Read on to know more...



**Catalin Albu and
Nadia Albu**

(Authors are Professors of Accounting, Bucharest University of Economic Studies, Romania. Comments can be sent to toeboard@icai.in)

Professional accountants are well positioned to play a significant role in organisational performance as creators, enablers, preservers, and reporters of value. In our just-published literature review in association with IFAC, *The Relationship between Accountancy Expertise and Business Performance*, and its companion Key

Findings, we discuss the results of more than 90 academic research papers on the relationship between accounting expertise and business performance. The results of the review can help inform professional accountancy bodies, practitioners, and policy makers by providing a broader understanding of how accountancy contributes to business performance and operates in various contexts.

The research, which was facilitated by the University of Dayton in accordance with an agreement to increase IFAC's research capacity, split the literature into two groups—small- and medium-sized entities (SMEs) and large entities, as important differences exist between studies covering SMEs and those addressing large entities in terms of how business performance and accountancy expertise and advice are operationalised and how the research is executed.

Small- and Medium-sized Entities

SME owner-managers view performance as a combination of financial-profitability and growth-and non-financial lifestyle, relationships, and image-expectations. Not all SMEs view growth as their overarching objective; for some, longevity or survival is their measure of success. Therefore, in many instances, growth is not an appropriate measure of SME performance. Survival may be the most useful measure for SME performance, especially for start-up companies.

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With respect to large entities, the research report says that the impact of accessing accounting advice provided by accountants, or the accounting and finance function, is related to accountants' role in organisations, such as book-keeper, counsellor, business partner, etc. Some studies also suggest that "transformed" roles for professional accountants that include a business counseling or partner roles are associated with superior organisational performance.



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Large Entities

For large entities, accounting expertise from both internal and external accountants is most often used for development and deployment of accounting techniques. Thus, there is a complex, rich literature dealing separately with each accounting technique. However, the impact of these techniques on performance is directly investigated only in a few cases and most studies yield inconclusive results about the effects of various accounting techniques on performance. Nevertheless, studies that support a positive association between receiving accounting expertise and corporate performance prevail. But the impact of accessing accounting advice provided by accountants, or the accounting and finance function, is related to accountants' role in organisations, such as book-keeper, counsellor,

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business partner, *etc.* Some studies also suggest that “transformed” roles for professional accountants that include a business counselling or partner roles are associated with superior organisational performance.

Gaps in the Literature & Recommendations for Future Research

The literature review also revealed some gaps. First, studies in less investigated jurisdictions as well as comparative studies are needed to observe similarities and differences on a regional or international level. The research found that studies specifically examining the impact of accountancy expertise on performance are limited to a few countries, with a small number of exceptions.

Second, in-depth studies following various theoretical approaches, such as institutional or psychological, are needed to complement comparative, large-sample studies. The use of accountancy expertise utilisation in organisations is complex and needs to be understood within the context of the specific country/region and sector (e.g., economic pressures and competition), organisational factors (e.g., strategy and objectives) and personal attributes (e.g., of the owner/manager or the relationship between accountants and other organisational functions).

Third, more research is needed to identify and explore on cause-and-effect relationships. Existing research points to a relationship between accountancy expertise and business performance without clearly identifying cause-and-effect relationships.

The research also uncovered an important limitation in the existing literature. There is a lack of comparability between the findings for SMEs and large entities owing to the diversity of approaches to investigating accountancy expertise and business

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performance. Further research and studies are needed globally in order to make more meaningful assessments.

Conclusion

Generally, the relationship addressed in existing literature is that of association as, in most cases, empirical research designs do not allow testing for causality. Moreover, development and performance lead to an increased use of accountancy expertise, and accountancy expertise leads to superior performance and development. The report summarises the findings by entity size—small- and medium-sized entities (SMEs) and large entities—as important differences exist between studies about each group and in how business performance and accountancy expertise are operationalised and the results interpreted. The research also shows the positive impact professional accountants have on aligning organisations’ goals and actions. Professional accountants are well-suited to play various roles in organisations, including analysis and communication of information, decision making, managing risks, and creating sustainable value—roles that indirectly impact business performance. For additional insights into each of these areas and more, access the full report and key findings on the IFAC website.

(Source: IFAC Global Knowledge Gateway). ■