

## The Changing Role of Accounting in Enterprise Performance Management

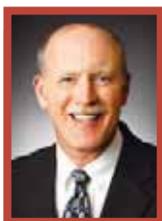


*Accounting and the finance function have traditionally been identified as leaders in providing information for enterprise performance management (EPM). But times are changing. Can performance ultimately be measured in financial reports? Don't financial reports guide management and the capital markets? Isn't the financial statement audit the ultimate insurer of accuracy and fairness for boards of directors and capital markets? "Accounting is the language of business" is an adage that has been true for nearly a century. But much has changed, and the pace of change is escalating. In most companies, intangible assets far exceed the value of tangible assets. Financial accounting, reporting, and auditing are rules-based and will increasingly be automated, and data tools and artificial intelligence increasingly helps provide financial statement analysis and insights. Read on to know more...*

Management accounting is becoming increasingly important but also needs to evolve to meet business needs. Customer and distribution channel costing is becoming as important as product and service costing. The rear-view mirror perspective provided

by financial accounting system derived reports is becoming less relevant to management decisions as real time and forward-looking information become routine.

Financial reporting and auditing is not becoming unimportant. On the contrary, robust capital markets depend on trusted financial information. But management needs information on where value is being created or destroyed in real time and projections that respond and provide insights to an increasingly dynamic and volatile markets and economies. Financial accounting appears to be not where tomorrow's performance is conceived.



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The accountancy profession's contribution to business resilience and success is through enterprise performance management. For accountants working in business, it requires being a full partner in the business. What does this mean? The idea has been around a few decades with sayings like: Be a bean grower, not a bean counter; take your eyes off the scoreboard and watch (or play) the game.

The IFAC Professional Accountants in Business Committee's new white paper, *Identifying the Role of the Finance Function in Enterprise Performance Management*, defines the business partner role of accountants in business and the public sector. It addresses traditional roles and highlights the changes needed to maintain and expand the role of the profession. It recognizes that accountants need to continue their influential role as advisors to senior management; but accountants need to focus more energy and expertise creating information supporting the decisions of managers and employees throughout the organisation. This means modeling operational, customer, distribution channel, and market information in a causal, forward looking manner that relates to the resources, processes, and decisions they manage in a time frame that can allow changes and influence outcomes to meet performance objectives.

The primary activities the report focuses on are (1) Planning and Forecasting, and (2) Integrated Performance Analysis. While these may sound traditional, the perspective is not through the lens of the processes to support financial statement reporting. The focus is on understanding and modeling the non-financial drivers of the business and markets that can be influenced to drive business performance.

More important than the activities are the enablers – four key areas that must be mastered to perform the two activities like a business partner working as part of team to enable organizational success and ensure growth and influence in accounting's future.

1. Data and Models – Accountants need to develop greater facility with all an organization's

data and create models beyond the traditional financial accounting model. Such models allow the monetary impacts of strategies, tactics, and decisions to be analysed looking forward and adjusted in real time.

2. Technology – Accountants need to be technology-aware to direct investment in enabling technology and digital tools, ensuring that technology projects are implemented rapidly and effectively.
3. Talents and Skills – Accountants require a broader range of knowledge, skills and experience to improve business partnering and become more hands on with the operational resources and processes. The future will place an increasing premium on diverse experience, interpersonal and leadership skills, as well as technology, analytical, and data skills. Developing these skills will require changes to recruiting and career paths in finance and the wider organization.

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**The profession needs to move aggressively to define a new highly valued and respected role in the business environment – for today, and for the future. This can't be done by doing what we've done in the past, but with better technology. Success in the future requires doing different things, finding new avenues to contribute to performance, and defining and embracing new roles and skills.**

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4. Finance Function Culture and Mind-set – Accountants and the finance function can't become enabled for the future unless their leadership allows, facilitates, and, ideally, encourages the change. Old mind-sets associated with internal control and financial reporting, and auditing can't completely disappear; but new mind-sets focused on collaboration, innovation, and creativity must be aggressively encouraged and rewarded.

The profession needs to move aggressively to define a new highly valued and respected role in the business environment – for today, and for the future. This can't be done by doing what we've done in the past, but with better technology. Success in the future requires doing different things, finding new avenues to contribute to performance, and defining and embracing new roles and skills. *Identifying the Role of the Finance Function in Enterprise Performance Management*, provides a great reference to start planning your future and the future of the finance organisation you lead, or soon will. ■

(Courtesy: IFAC Knowledge Gateway)