



developing the financial workforce of the future

Nobody knows what the future holds, so should we live for the day and let the future take care of itself or try to forecast what will happen and develop ourselves and our people accordingly? Since the future won't take care of us, Peter Bebb advocates the latter.

■ **Confucius once said: "If you do not give a thought to the distant future, you will be in trouble when it comes near."**

A few centuries later Peter Drucker, management guru, echoed this sentiment: "Tomorrow always comes. It is always different. And then even the mightiest company is in trouble if it has not worked on the future. Not having dared to take the risk of making the new happen, it perforce took the much greater risk of being surprised by what did happen."

This article addresses the development of the financial workforce of the future in three sections:

□ **professionalism** – what does it mean to be a professional? What does it mean to be a financial professional?

- **the future of the profession** – what might the future hold? What opportunities will this produce for financial professionals?
- **staff development** – which skills will be valued most? How can the most valuable skills be developed and retained?

professionalism

Professionalism can be defined as dedication to an occupation requiring a high level of skill, and commitment to a set of principles at the heart of which lies the public interest. The threshold level of skill is evaluated in some way, usually through examination. In many cases, the greater the skill required to practise in that profession, the more rigorous

the threshold level of skill required. Ongoing professionals are expected to keep both knowledge and skills updated. The more established professions have formed professional bodies, such as ACCA, to support their fellow members, set and maintain standards, and also to ensure that public interest is kept at the fore.

Professionals embrace the principles of integrity, objectivity, competence and due care, confidentiality and professional behaviour. Exercising professional judgement is based on acquired knowledge, skills, expertise and experience. In a world of greater access to information, increasing choice, complexity, opportunity and risk, the professional accountant plays a role in facilitating entrepreneurship, helping managers create value, managing risk and helping to rationalise complexity.

what does it mean to be a financial professional?

Today's financial professional operates in an environment of time and space reducing technologies with an increased emphasis on ethics and corporate governance and demand for new, value-adding services. With greater automation and processing, the role of a financial professional has evolved

into one focused on managing uncertainty, complexity and strategic decision-making within an overall context of heightened governance.

The reputation of the accountancy profession has not benefited from the major scandals over the last decade or so, for example Enron, WorldCom and Parmalat. In this climate, the mysticism that once surrounded professionals and the deference with which they were treated has been largely replaced by scepticism.

The term professionalism is further challenged given public perceptions of the group of people who comprise 'the professions' – a recent survey showed that 40% of 18–29 year olds questioned included acting as a profession. Given this climate – what does the future hold?

the future of the profession

Since no one knows the future, there is a tendency for people thinking about the future to brainstorm ideas without drawing conclusions or reaching consensus. To mitigate this risk, my company Perendie has created a structured approach called 'future-proofing', which has recently been used by ACCA.

The biggest dangers to an organisation are the ones you don't see coming. Understanding these threats – and anticipating opportunities – requires strong peripheral vision. Future-proofing starts with the organisation's leaders completing a 'scanning the periphery' questionnaire to assess their ability to think beyond current organisational and temporal boundaries.

Future-proofing then improves peripheral vision by saying:

- what the world will be like in future, in general
- what the consequences of this scenario will be for your organisation
- how your organisation should prepare for this world.

These predictions relate to the natural and economic environment, the customer segments and value propositions, the core business processes and value chain, and the learning and growth enablers.

You will be unable to influence some things that happen in the future; others you

will be able to influence. In the case of the former, you need to decide what you think will happen and how it will affect you. In the case of the things you can influence, you need to say which things you want so that you can work towards them. Some things will be dependent on others, and these dependencies need to be taken into account.

what might the future hold?

The financial professional in 2020 will be faced with a number of challenges and opportunities shaped by the forces of enhanced globalisation, changing demographics and significantly increased business complexity. ACCA has already conducted research into this area; search www.accaglobal.com for a copy of the findings or e-mail liz.meade@uk.accaglobal.com.

The BRIC countries (Brazil, Russia, India and China) are expected to have established themselves as significant economic powers and this will shift the balance of economic power. The convergence of fast-changing technologies, fragmented consumer tastes, ever longer supply chain and multiple dimension supply chain relationships will create an environment which is a more complex place to do business, with increased risk.

Complexity breeds risk, risk breeds regulation, which in turn requires further investment in compliance. It is possible that such an environment could see the death of professional judgement, to be replaced by rules-based regimes. However, it is hoped that this generally higher and more pervasive risk will drive innovative mitigating measures, which will in turn bring more simplicity.

global harmonisation of regulation

International Financial Reporting Standards (IFRS) will probably be adopted across the major economies but it's unlikely that they will be followed. Nonetheless, the successful implementation of IFRS would lead to initiatives to harmonise compliance, regulation and auditing standards.

Financial reporting is expected to remain at the heart of the profession (81% of ACCA members see financial reporting as one of the four most important

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competences). Demands from ever more savvy and diverse investors, demand for greater transparency and free access to information plus the rise of intangible assets, are expected to drive organisations into reporting on broader measures such as sustainability, risk, corporate governance and human capital.

the evolution of the finance function

Over the past 40 years the business world has evolved. IT has reduced the need for traditional financial skills such as the recording and processing of transactions; out-sourcing has reduced the cost of traditional skills; the increase in audit thresholds has reduced small firms' work; there have been cycles of regulation and de-regulation; the pace of change has been unrelenting; and technology has caused paradigm shifts.

The accountancy profession has evolved in response, and this is reflected in the changes to ACCA's syllabus:

ACCA pre 1994 (Level 3)

- advanced financial accounting
- financial management
- advanced taxation
- auditing and investigations.

ACCA 2007 (Professional)

- P1 professional accountant
- P2 corporate reporting
- P3 business analysis
- 2 of following:
 - P4 advanced financial management
 - P5 advanced performance management
 - P6 advanced taxation
 - P7 advanced audit and assurance.

The finance function is expected to develop into a more central role, providing strategic and risk management advice to all parts of the organisation, from operations to marketing. It will continue its evolution from a function focused on transactions into decision-making support and finally, a pro-active corporate governance role.

what opportunities will this produce for financial professionals?

It may be that the greatest opportunity lies in deepening the relationship between finance and corporate governance. The three main purposes of corporate governance are:

- to ensure and promote organisational effectiveness over time
- to ensure those governing and managing an organisation account appropriately to its stakeholders
- to ensure shareholders and, where appropriate, stakeholders can hold boards to account.

Financial professionals already play a major part in helping their organisations to achieve these. Should they extend the role they play in corporate governance in future?

Existing approaches to corporate governance do not:

- provide real assurance or control
- prevent problems such as Enron, Worldcom, Marconi, Morrisons, Marks & Spencer before Stuart Rose, and public sector IT programmes
- predict what will happen
- account for the difference between a company's market value and its balance sheet.

Effective governance could be the next stage in the evolution of the financial professional.

staff development

It is expected that over the next 15 years, finance roles will further polarise and fragment. Polarisation will develop across two dimensions, the generalist and the specialist. Specialist niche roles will initially be highly prized and valued but over time such roles could lose their allure as they become commoditised and probably automated. However, increasing value will be attached to the generalist whose understanding of a broad range of issues can provide effective governance.

which skills will be valued most?

Effective governance requires implementation of the 'operating and financial review' principles of transparency, consultation, comprehensiveness, consistency, relevant information and continual review. ACCA is implementing 'business alignment', a process which delivers the integration, predictability and transparency required for effective governance as follows:

- integration** – everything the organisation needs to do and employ to deliver its required outcomes is linked at all levels across the whole value chain from customers to suppliers
- predictability** – the causes of success are identified, and the probability of the required outcomes being delivered is objectively predicted, enabling risk mitigation
- transparency** – anyone, internally and externally, can see what the organisation intends to employ, do and deliver, and the progress being made.

how can the most valuable skills be developed and retained?

Adverse demographics in developed countries will create a scarcity of talented financial professionals, thereby driving up their value, but this could be addressed through the employment of financial professionals from the BRIC countries, for example, through immigration or off-shoring. However,

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employers still have some work to do in ensuring they have the human capital required for business success.

Talent management is a means of recruiting, developing and retaining people who have high potential. Most employers appreciate the negative impact that will arise by not having a talent management strategy but many have no strategy and no plans to implement one.

It is anticipated that financial professionals and their employers will need to identify and develop business alignment capabilities to govern organisations effectively in the uncertain and complex environments of the future. ■

Peter Bebb – Director, Perendie

Peter Bebb has over 30 years' experience in corporate and business alignment, and is currently facilitating ACCA's use of business alignment. He will be running a workshop on Business Alignment at ACCA on 2 October, and can be contacted at peter.bebb@perendie.com