

The background image shows two men in business suits standing on a rooftop terrace. The man on the left is looking down at a smartphone, while the man on the right is holding a white smartphone up to his eye, possibly taking a photo or video. They are flanked by two ornate, classical-style columns topped with spherical light fixtures. In the distance, a city skyline is visible under a hazy sky, with a prominent tower resembling the Oriental Pearl Tower.

An assessment of key internal and external drivers shaping professional accounting bodies' sustainability agendas

John Purcell – Policy Adviser Corporate Regulation

think+create



A specific and generic model for assessing an accounting body's sustainability agenda



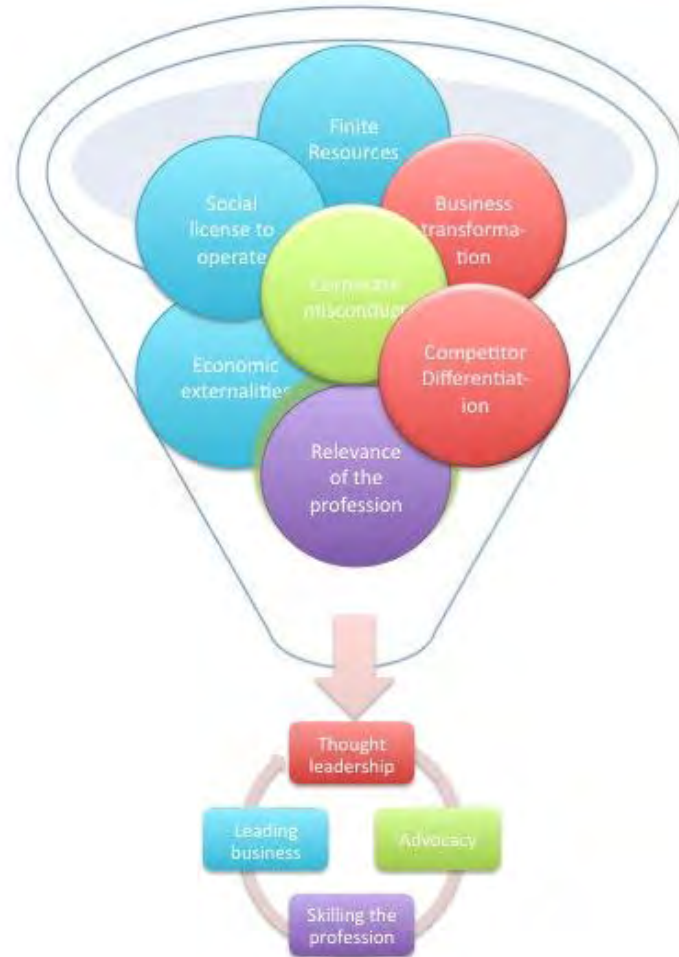
- ❑ A professional accounting body, similar to any at least moderately complex organisation, is impacted upon by a range of drivers occurring within its operating and competitive environment.
- ❑ These drivers are by no means constant with either new drivers emerging or existing drivers changing in intensity.
- ❑ These drivers can in turn be analysed from the perspective of their influence on the business model through which the body operates.

A specific and generic model for assessing an accounting body's sustainability agenda



- ❑ An analysis of the operating and competitive environment can enable particular drivers to be grouped, and in turn, matched with components of the business model.
- ❑ The components of the business model are by no means static. Each interacts and supports the other. Further, changing emphasis can be given to a component based on strategic intent and the prominence at any particular time of a driver, or group of drivers.

A specific and generic model for assessing an accounting body's sustainability agenda



A specific and generic model for assessing an accounting body's sustainability agenda



- ❑ Applying an outcomes oriented approach, the respective components of the business model can, and indeed should, be understood and evaluated in terms of specific topics or content generated.
- ❑ In contrast to the broader drivers which shape the emphasis within the business model, topic and content associated with each component are more specifically influenced by factors arising at both a domestic and international level.

Advocacy



- ❑ Underlying these more practical considerations are the imperatives that the profession act and promote ethical business conduct. This explains the wider attributes of the business model.
- ❑ An accounting body's advocacy activities are focused on policymakers - governments, their departments, agencies and various advisory mechanisms – who set the context within which business functions and within which accountants are key professionals.
- ❑ The performance of many facets of accounting practice are guided by codes of ethical conduct and an overarching requirement to act in the public interest – themes which are directly reflected in an accounting body's advocacy activities.

Advocacy



Thought leadership



- ❑ One of the critical contributions which professional accounting bodies can make is in the domain of contributing to and promoting thought leadership.
- ❑ Increasingly thought leadership moves beyond largely technical issues addressing wider concerns around the proper conduct and purpose of business and economic activity.
- ❑ The nature of a professional accounting body forms an important bridge between academia and the business community, and may serve the further practical purpose of promoting informed public debate.
- ❑ Ideally, thought leadership both translates advocacy into effective business change and contributes to well-informed advocacy.

Thought leadership



Leading business



The following quotations emphasize the widely acknowledged reaching of a critical turning point in our understanding of how the numerous instruments and institutions through which commerce is conducted should operate.

“Today we are in the midst of a rapid global transformation with increased demand on corporations to perform not only financially but to be good corporate citizens”

And further;

“In a world of changing expectations, companies must account for the way they impact the communities and environments where they operate.”

KPMG International Survey of Corporate Responsibility reporting 2008

Leading business



“Sustainable development will be one of the - if not the most – critical drivers of business over the next decade as companies realise that their survival hinges on how well they respond to environmental, social and governance (ESG) issues.”

‘Sustainability key to economic survival’ Sara Rich, The Australian 22 April 2009

- ❑ The commencement of society’s disentanglement from the cumulative negative effect of past actions demands a pivotal role to be played by business.
- ❑ These developments will take place within appropriate domestic and international policy settings.
- ❑ Internally, organisation will need to adjust in such critical aspects as how they allocate resource and indentify and manage risk.

Leading business



Skilling the profession

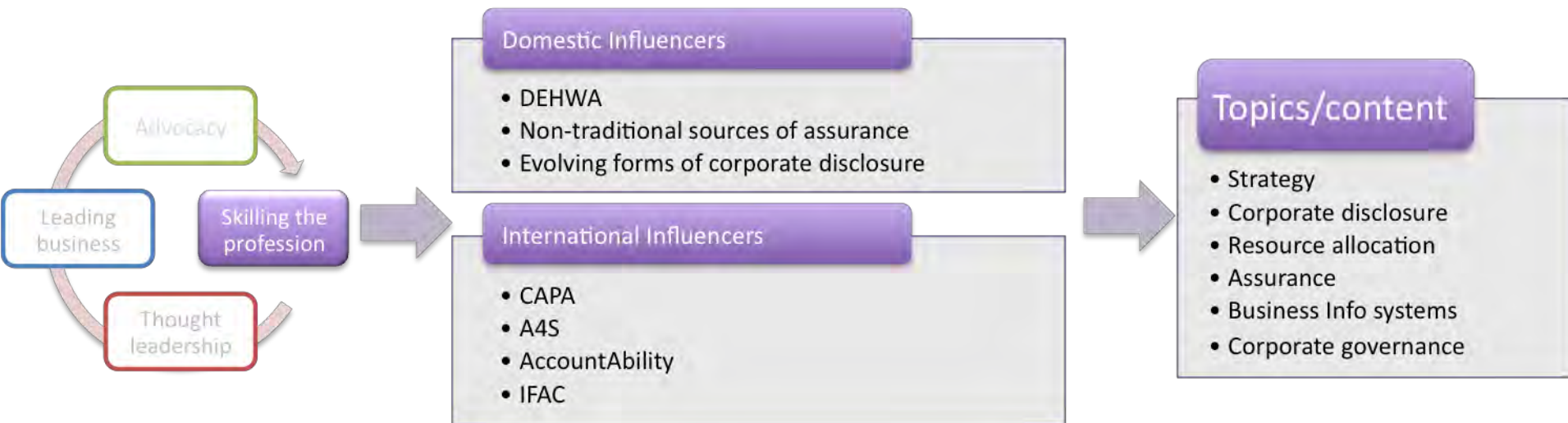


Changes in the global economic environment have direct consequences for how accountants are educated across the full spectrum of their professional learning, and also, in terms of how they operate within their organisations on a day-to-day basis.

- ❑ The critical issue is around how existing skills will be adapted, in contrast to new skills developed, to address organisation performance in relation to both the financial and non-financial dimensions of business behaviour.
- ❑ This will be played out in the practical dimensions of organisation adaptiveness, ethics, governance, competitive advantage, reputation and management of risk.
- ❑ The aptitudes of awareness, subtlety and capacity to work across traditional organisation boundaries focus not only on technical skills, but more importantly on those in the areas of leadership, personal and business effectiveness.

The addressing of these challenges is critical to both future organisation effectiveness and ensuring that accountants remain key players within organisations.

Skilling the profession



The shaping of accounting practice into the future



- The multifaceted nature of how the accounting profession can itself adapt, and at the same time foster the adaptiveness of business, can be looked at from the perspective of how professional bodies recognise discrete, though interrelated, areas of skill as part of developing its graduate and professional education programs.
- This structure of organising professional accounting skills recognises four categories against which respectively nine specific attributes are identified. By way of illustration, the nine areas of technical skill and a selection of three each of the leadership, personal effectiveness and business skills is provided in the following.

The shaping of accounting practice into the future



- Technical skills – tax, financial planning, forensic accounting, financial accounting, audit & assurance, insolvency, management accounting, finance/ financial risk management and corporate governance.
- Leadership skills – strategy, change management and innovation.
- Personal effectiveness skills – results, ethical behaviour and interpersonal skills.
- Business skills – technology, regulatory environment and project management.

The manner in which changes taking place in the realm of sustainability impacts upon the role of accountants in terms of the interaction of different facets of skills can be illustrated from the emergence of sustainability reporting. There are of course many other areas where these changes are impacting upon the roles of accountants – not least supply-chain management and capital investment appraisal.

Sustainability reporting and the role of accountants



Given the widely accepted benefits of sustainability reporting, emerging international trends and the evident significant take-up by leading global and Australian companies, CPA Australia has commissioned a soon to be released research project *The Role of Accountants and Accounting in Improving Sustainability Management and Reporting*.

The methodology applied consisted of approximately 100 interviews, field study observations and data collection across five organisations. The case study organisations were: a large publicly listed insurance company, an unlisted construction/ mining company, a listed medium size pharmaceutical company a large water utility and a large metropolitan council.

Sustainability reporting and the role of accountants



- ❑ Some preliminary conclusions from the research project –
What is actually happening inside reporting organisations.
- ❑ Some preliminary conclusions from the research project –
Accounting systems and sustainability data.

Sustainability reporting and the role of accountants



This „snap-shot“ of the current state of play in sustainability reporting is not unexpected given its comparatively recent emergence as a major component of corporate disclosure.

The results do however point to how different components of accountants“ skills can be drawn upon to improve the quality and utility of sustainability reporting.

In conclusion and to go „fullcircle“



- ❑ It is irrefutable that there are a multiplicity of factors compelling a convergence of understanding of the centrality of sustainability to business behaviour.
- ❑ This is reflected in Monday's announcement of the formalising of an alliance between the International Federation of Accountants, the Global Reporting Initiative and HRH's Accounting for Sustainability project, creating the International Integrated Reporting Committee.
- ❑ The IIRC creates the necessary impetus to give effect to the two proposition launched at the May 2010 GRI global sustainability conference:

In conclusion and to go „fullcircle“



“By 2015, all large and medium-size companies in OECD countries and large emerging economies should be required to report on their ESG performance and, if they do not do so, to explain why.

By 2020, there should be a generally accepted and applied international standard which would effectively integrate financial and ESG reporting by all organisations.”