

GLOBALISATION AND ITS EFFECTS ON ACCOUNTANTS

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Introduction

A Malaysian accountant working with PricewaterhouseCoopers, a global accountancy and business consulting firm with its headquarters in New York, is providing financial advice to GlaxoSmithKline, a British multinational company. He is performing the work in China, where GlaxoSmithKline has established its operations, with a team consisting of accountants from Singapore, Taiwan and Hong Kong. With an increasingly globalised world, such multifaceted connections between corporations and individuals from different countries are increasingly common.

Globalisation is a concept that refers both to the compression of the world and the intensification of consciousness of the world as a whole. It is characterised by the stretching of social, political and economic activities across frontiers, regions and continents. Flows of trade, investment, finance, migration and culture between nation states are increasingly interconnected and intensified. Any distant events can be highly significant locally and specific local developments can come to have considerable global consequences.

What has all this to do with accountants? Well, globalisation has everything to do with accountants! As the provider of one of the most needed services in the financial sector, accountants will certainly feel the full impact of economic globalization. The whole field of accountancy is feeling the wind of change brought about by globalization, where only those who adapt to it will thrive. This article will illustrate the effect of globalization on accountants in seven major ways, namely, the rise of multinationals; the change in accounting standards; the application of technology; the increase in competition; the need to move up the value-chain; the growing importance of professional accounting qualifications; and the necessity to keep abreast of global financial issues.

Multinational Corporations

Globalisation has brought about increased international trade, fuelled by the willingness of governments to open up local economies to foreign investors. This has in turn brought the rise of a powerful breed of economic entities— multinational corporations. Specifically, in the accounting world, the Big Four accounting firms dominate the scene. They handle the vast majority of audits for publicly traded companies as well as many private companies. For example, PricewaterhouseCoopers, the largest of the Big Four and the world's biggest professional services organization, has 155,000 employees in 150 countries. It audits 46 percent of companies in the FTSE 100 Index; 22 percent of those in the FT Asia Pacific 100 and 43 percent of the Fortune 1000. This has had a profound impact on the accounting profession. Aspiring accountants everywhere pick the Big Four

as the first choice when it comes to finding a company to work with, resulting in the flow of the best brains in the industry to these four firms. From another perspective, a vast amount of the accounting talent pool is currently working for multinationals. They have the exposure to international business and the opportunity to work anywhere in the world, collaborating with other accountants from diverse cultures and backgrounds. This has the effect of widening the outlook of accountants, forcing them to think globally and act locally.

Accounting Standards

The increase in international trade and investment, as a result of globalisation, has increased the need for a set of international accounting and reporting standards that will help to harmonize company financial information, improve the transparency of accounting, and ensure that investors receive more accurate and consistent reports. This is where the International Financial Reporting Standards (IFRS), developed by the International Accounting Standards Committee (IASC), comes in. Although IASC has no authority to require compliance with its accounting standards, many countries require the financial statements of publicly-traded companies to be prepared in accordance with IFRS. As a result, accountants around the world have to adjust to the new standards. This implies continuously keeping abreast of currently accepted accounting standards and changing and adapting to new requirements when needed, as local financial reporting standards are being constantly altered to conform to the IFRS.

Technology

Globalisation has vastly improved the dissemination of research information, enhanced collaboration between technology firms and increased investment in research and development worldwide. As a result, technology is growing at an unprecedented pace. Of particular importance to accountants is the advancement of accounting software and mobile digital devices. With globalisation propelling the development of accounting software, innovative and specialised functions have been added, providing accountants with new tools not only for the normal preparation of financial statements but also for financial analysis and decision making. On the other hand, mobile digital devices such as laptops and personal digital assistants are enabling accountants to perform tasks from anywhere at any time. They provide up-to-date information to accountants who are increasingly on the move executing assignments around the world.

Competition

In the globalised world, intellectual work could be disaggregated, delivered, distributed, produced and put back together again, giving a whole new degree of freedom in the way work is done. What this means is that various services can be outsourced to other countries, which can perform the work equally well or better at much lower costs. This includes accounting services. Increasingly, accounting work is being outsourced from developed countries such as the United States and the United Kingdom to developing countries such as India and Malaysia. Accountants are now competing on an equal

platform, not confined to the limits of national borders. Every accountant is now competing on the basis of their specialised skills, quality of work done and the cost at which it is done.

Moving Up the Value-Chain

How should accountants face the competition as a result of globalization? They should focus on providing value-added services to their customers and employers. When jobs are being outsourced overseas, it does not mean that the local accountant will be unemployed. All that is outsourced is just the 'grunt' work such as preparing tax returns, financial reports, etc. The local accountant will just have to move up the value chain by focusing on designing creative complex strategies such as tax avoidance, financial consulting, and managing customer relationships. This also means spending quality time with clients discussing financial plans and helping them make financial decisions. For accountants to move up the value chain, they will have to increase their skills and specialize in certain areas. Of particular importance is the need for soft skills, which refers to the cluster of personality traits, social graces, facility with language, personal habits, friendliness, and optimism that mark people to varying degrees. Being able to display notable personal qualities and interpersonal skills will certainly help in improving the value of an accountant.

Professional Accounting Qualifications

In order to move up the value-chain, accountants will need recognition of their skills and specialization, thus, the necessity for professional qualifications. Globalization has increased the job mobility of accountants worldwide. Before employing an accountant, employers and clients need to know that the accountants they wish to employ are competent and preferably of international standard. Therefore, to prove their skills, accountants need professional qualifications. This explains the growing popularity of such qualifications. An example is the Association of Chartered Certified Accountants (ACCA), a British chartered accountancy body with a global presence that offers the Chartered Certified Accountant qualification worldwide. It is one of the world's largest and fastest-growing accountancy bodies with 115,345 members and 296,000 affiliates and students in 170 countries.

Global Financial Issues

In this globalized era, any international financial issues will have far-reaching implications for every accountant. For example, the Enron scandal caused the fall of Arthur Anderson, once part of the Big Five accounting firms. It has renewed the call for increased corporate governance, where a system of checks and balances is designed to ensure that corporate managers are vigilant towards long-term shareholder value. Another more recent issue is the 2007 subprime mortgage crisis in the United States which still has not been resolved until now. It has caused several major subprime mortgage lenders to shut down and led to the collapse of the stock prices, crippling the economy. In such situations, accountants working in banks are the worst affected, followed by those in

other industries hampered by the weak economy. By staying vigilant to such issues, accountants can adapt to any challenges faced, to survive in the globalised economy.

Conclusion

As a conclusion, globalisation is a phenomenon that proliferates deeply in the field of accountancy. It affects accountants by the rise of multinationals, thus increasing opportunities and job mobility for accountants. It intensifies the need for uniform accounting standards in the form of the IFRS. It accelerates the innovation of accounting software and mobile digital devices. It fosters increased competition, which in turn compels accountants to move up the value-chain and acquire professional qualifications. Lastly, globalisation increases the importance of keeping abreast with global issues and adapting to any changes that may occur.

References

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