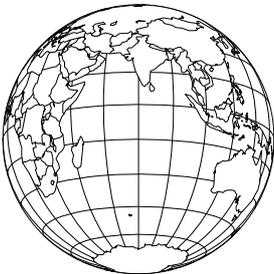


Centre for  
Business  
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Thought  
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Institute...



# Global business development:

Challenges for accountancy education



# Centre for Business Performance Thought leadership from the Institute...

**Building tomorrow's business  
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Partner, RSM Robson Rhodes

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# Global business development:

Challenges for accountancy education

# Building tomorrow's business profession

**Anthony Carey is a partner at RSM Robson Rhodes and was formerly Director of the Centre for Business Performance of the Institute of Chartered Accountants in England & Wales.**

Education. Education. Education. The Prime Minister's identification of national priorities some time ago could be aptly applied today to the accountancy profession and indeed more broadly to professions in general.

A profession's only real capital is the human capital of its members past and present; its principal asset – the profession's reputation and, in particular, the value of its qualification. Moreover, in today's marketplace professions are subject to the same competitive pressures and change drivers as the society and communities – public, private and not-for-profit – that they exist to serve. Past success is no guarantee of future leadership. That has to be earned afresh and the education system is the foundation on which every profession builds its quest for excellence and service.

This publication explores, with the help of leading commentators from the UK and internationally, the challenges the accountancy profession must address if it is to enjoy the growth and success that were its hallmark in the twentieth century. Drawing on the contributions that follow, the principal challenges include:

## **The Global Challenge**

A reading of the histories of the major firms highlights that accountants have been internationally oriented from the profession's earliest days. However, as the flow of goods and services, financial capital and people increasingly takes less and less notice of national boundaries, we need to make sure that largely nationally-based education systems also fully reflect the global dimension. This extends beyond learning about International Financial Reporting Standards and International Standards of Auditing, although that is going to be very important, to understanding different cultures and legal and organisational systems and their impact on doing business in different jurisdictions.

## **The Renaissance Professional Challenge**

The days are fast disappearing when a profession could successfully strive to gain control of a specialist area of knowledge and then primarily focus on acting as guardian of it, often seeking to restrict the ability to practice the discipline concerned to its members. Today's world is characterised by overlapping professional boundaries, by new bodies emerging or existing ones diversifying into areas previously dominated by others and by a marked reluctance by governments to grant monopoly practising rights except in very limited circumstances. Similarly, for individual professionals the badge of qualification, though helpful if highly regarded, by itself offers far less assurance of success than it did in the past. Employers and clients rightly want to be persuaded that the professionals chosen by them will add value to their organisation. To do this, the modern professional needs to be able to deliver solutions in a complex and rapidly changing environment which requires general management skills and a broad understanding of business as well as specialist knowledge, emotional intelligence as well as intellectual ability.

## **The Lifelong Learning Challenge**

Professional education used to be primarily about the period of professional formation prior to qualification. Although in recent years it has, in addition, been expected that the qualified professional would keep up to date by undertaking roughly a week's worth of continuing professional development activities in the course of a year, fulfilment of such a requirement is monitored with varying degrees of rigour by different bodies. With the half-life of knowledge shrinking fast, however, we now need to develop a very different educational model for the future. Professionals must be equipped and motivated from the outset of their careers to continuously acquire new knowledge and skills and to see working and formal periods of study as part of an integrated whole providing ongoing opportunities for learning. This is likely to require significant periods of dedicated time at various stages of their career if they are to remain at the forefront of developments in their specialism, market sector and business generally, as appropriate, and so be able to help their clients and employers remain competitive.

## **The Ethical Challenge**

An adherence to the highest standards of ethics and objectivity has always formed the cornerstone of the profession and will, if anything, be even more critical to its success in the years ahead as pressures intensify on businesses to demonstrate to their stakeholders and government that they are pursuing their mission in an ethical and socially responsible manner. If the profession's reputation is robust in this area significant new opportunities, especially in the field of assurance, are likely to emerge. Conversely, if there are felt to be weaknesses the cost is likely to be high as causes célèbres tend to remain in the public consciousness for a prolonged period. There would therefore be merit in the profession discussing how best to develop a strong sense of ethical values in young professionals, firstly through the recruitment process and then during the initial training period, with particular emphasis on how this can be included in periods of formal study as well as being assimilated through on-the-job experience.

## **The Innovative and Responsive Challenge**

The 'war for talent' is as big an issue for the professions as for employers. For accountancy to be a truly dynamic profession in the twenty-first century and to continue to play a leading role in business and the community at board and equivalent levels in the public sector, it must be able to attract the best graduates – creative, practical and with strong interpersonal skills in addition to financial and business acumen – and then develop them to achieve their full potential. This will enable them to design and implement innovative, responsive solutions for their leading-edge employers and clients and to act as role models for future entrants to the profession thereby completing the virtuous circle.

If the profession responds effectively to the above challenges, virtually everything about it – its structure, education system, relationship with its members and even its remit – is likely to be subject to significant change, and then more change, in the years ahead. Only one element will have remained constant, its *raison d'être* to serve the public interest through the provision of high quality services related to the measurement, management and reporting of performance.

**Anthony Carey**  
December 2001.

## The Change Drivers

### A New World Challenge

Graham Ward outlines the challenges facing accountancy education in the twenty-first century and the worldwide trends shaping them.

**Graham Ward is immediate past President of The Institute of Chartered Accountants in England & Wales (ICAEW), Deputy Chairman of the Financial Reporting Council, a member of the Takeover Panel, British board member of the International Federation of Accountants and Senior Partner of PricewaterhouseCoopers' World Energy & Utilities Group.**

- Professions need to be innovative, responsive and relevant and to demonstrate that they operate under the strictest professional standards and codes.
- Globalisation of financial markets is placing new demands on accountants.
- The accountancy profession needs to continue to attract intelligent and innovative thinkers – the business leaders of tomorrow.

The following pages in this publication focus on the challenges to accountancy education in the twenty-first century, from the point of view of both the business community and the accountancy profession. Those dealing with the business community need to demonstrate that they are addressing the real needs of business, that they are innovative, responsive and relevant and that they operate under the strictest professional standards and codes of ethics. Their students need to have attained a high degree of competency and their practitioners must keep up to date with the latest development through continued professional education.

Globalisation of the financial markets, increased numbers of cross-border listings and growing regulatory harmonisation are all placing new demands on accountants and on those they serve. The liquidity and integrity of the world's capital markets depends on investor confidence and companies' ability to raise capital at fine rates. High global standards of financial reporting, auditing and ethics underpin trust in the probity of financial and other business information and my profession is being challenged to deliver the highest level of performance in these areas. The main challenge for accountants at this time is probably in the area of public and demonstrable accountability and the common efforts being made across the world by a number of bodies highlight how critical this issue has become.

The ICAEW fields over 119,000 members in over 130 countries. They range from high street general practitioners to finance directors and chief executives of FTSE 100 Companies (recent research suggests that the number of CEOs of FTSE companies who are Chartered Accountants is on the rise). The ICAEW has always prided itself on the high quality of its students. In the year 2000, nearly 80 per cent of the 4,000 students who chose to train with us had first or upper second class degrees. We are unusual among professions in that we allow and encourage students from all disciplines to train with us. But we cannot afford to be complacent; nor are we.

As one of the world's leading professional bodies we have placed particular emphasis on improving our education and qualification system in order to make our students well-rounded business professionals. In 1999, we launched the new ACA qualification after two years' intensive consultation with the marketplace. Although the Chartered Accountant qualification is still regarded as one of the premier business qualifications in the United Kingdom, the business community was telling us that we needed better to address their changing business requirements. So the ICAEW changed the footprint of the ACA and the training of Chartered Accountants who not only need to have the traditional rigorous technical competencies but also to have a business-orientated mindset, making them true business professionals at an early stage in their career.

Our strategic direction is not UK tribal but global. Only that approach can continue to attract intelligent thinkers – the business leaders of tomorrow – into our profession.

From a business perspective, the relationship-building efforts in recent years between the education community, business and the profession is most encouraging. Educational establishments face the same challenges as business and practice but that has not always been understood by those in business. The fight for funding, the need to attract brighter students and increased competition from business schools are driving universities generally and other providers to reassess the relevance of their products and to be much more commercial in their approach.

I am delighted that so many experts from a wide range of disciplines are offering their reflections here on the future of accountancy education as global prosperity depends on global standards implemented by a profession with a global outlook.

# The Change Drivers

## All Change at Business Schools

Professor Leo Murray explains how business schools must adapt to a radically changed business environment.

Professor Murray is Director of the Cranfield School of Management at Cranfield University, a player in the 'Premier League' of Business Schools. Educated at the universities of Glasgow, Paris and Rennes, he has held senior management positions with BP, A.T. Kearney and Rothmans.

- The real management thinkers of today are often not teaching in the business schools but are running companies.
- Long-term competitive advantage comes from the way human capital is created, managed, developed and prolonged.
- The future of businesses now depends on creative minds capable of managing ambiguities and balances.
- Education must be relevant and customised for individuals and organisations so they get out of it what they specifically need.

The market for business education, in common with so many other markets, is undergoing rapid and dramatic change. The drivers behind this phenomenon fall into a number of broad categories: an internationalisation of just about everything, including institutions; growing social, consumer and governmental pressure, market pressures, organisation changes and the impact of technology.

Businesses are being re-defined. New competitors and new types of business are emerging by the day. Organisational changes are equally rapid. We have all seen downsizing and the creation of flexibility in organisations. But we have also seen the emergence of completely new types of organisation process. CISCO, for example, is now the second largest company in the world by market capitalisation and is trying to bring a whole new process of management within that type of organisation that may or may not be applicable in other contexts. Technology, too, is changing the parameters, not only of business schools themselves, but of those they seek to serve. It is hardly surprising that the real management thinkers of today are often not teaching in the business schools but are running companies.

Management as a task and as a discipline is now much more complex and ambiguous, much harder to train and develop for than in the past. Managers require a much higher degree of professionalism at an earlier stage in their careers. Of course, they need a strong functional expertise in accountancy, marketing or whatever but they also need, in their own interests, to develop a portfolio of transferable skills. It is also vital they understand the role of other parts of their organisation and its overall strategy and have a view of external environmental factors and issues.

A key feature of this changing environment is a recognition that long-term advantage comes from the way human capital is created, managed, developed, nurtured, and prolonged. The organisational context within which this takes place is much more complex, fuzziest and ambiguous than the hierarchical structure that featured on the traditional 'wiring diagrams' that I worked to when operating in the past. The future of business now depends on the exploitation – in a positive sense – of creative minds capable of managing ambiguities and balances. By that I mean the capacity to apply sound judgement to unclear (because they are constantly changing) events. For me, managing Cranfield is much more difficult than managing a large business in the tobacco industry, where the bottom line was a single number and nothing else at that time had much real value or reality. Managing an organisation like Cranfield, with its different multi-dimensional value system, is about trying to manage lots of different conflicting issues where measurement is a major issue and where hierarchy is an illusion.

Increasingly, it is the interaction between a company's directors and with the top management team that indicates the future success of an organisation. We find ever more frequently at Cranfield as we work at main board level on tailored programmes that enhancing personal effectiveness is the key challenge which involves looking at issues such as communications, cultural awareness, leadership and team working. Behavioural issues are becoming more important than functional skills at senior levels (assuming senior managers already have such skills).

Management education must embrace all of this. We must move away from the arrogance of traditional universities, the 'we are the thinkers, come and kneel at our feet and we will tell you what you need to know' approach. Education must be relevant and customised for individuals and for organisations so they get out of it what they specifically need, as opposed to what academics want to tell them to do.

Business school teaching must now be more easily accessible. Time is now the great enemy; the 13-week programme, the traditional sheep-dip time for management education, is no longer suitable for busy executives. A course must also be international, as international awareness is fundamental. And of course it follows that business schools must increasingly offer a lifelong educational and developmental service. We need to provide a more integrated business education and focus much more on management issues, which, by definition, are international, integrated and interdisciplinary, as well as on the traditional subjects on functions. We are actively seeking ways to enhance our learning process, to get a better balance, to use time properly. A particular concern is how to strike a balance between 'presence' and 'distance' – the transmission of knowledge with the huge value added of real interaction with the knowledge and experience of others.

Generalising the above, business schools and institutions need to redefine themselves, otherwise they will become dinosaurs. They must behave as 'academic service businesses'. These easy words together contain all the conflicts inherent in seeking to manage our particular balances. We must be as academic as traditional universities but relevant to the needs of our markets. We must underpin our work with rigorous and relevant research – and transfer it into our teaching materials. Above all, with government funding diminishing, we must run ourselves in a reasonably businesslike way. Working, for example, with others to develop incubators for new businesses, e-businesses in particular, is vital given the nature of our relationships and our financial model. This can become a way for us to exploit our own 'technology' and turn it into revenue which can be reinvested into our learning, facilities and people.

Cranfield is focusing increasingly on developing two-way learning relationships with other organisations. As well as working with a vast range of UK and international companies, we already collaborate in a number of ways with, for example, the Chartered Institute of Personnel and Development and are in discussion with other accounting and marketing institutions with the aim of developing and linking our respective syllabuses. Strategic alliances with business schools throughout the world are becoming an important means of delivering solutions to the organisations with which we all work.

## The Change Drivers

# Objectivity, Capital Markets, Information and Globalisation

Mary Keegan sets out crucial educational needs for the accountancy profession.

Mary Keegan is the former Head of PricewaterhouseCoopers's Global Corporate Reporting Group. She was Vice-President of the Fédération des Experts Comptables Européens and Chairman of its Auditing Working Party. She is a member of the Standing Interpretations Committee of the International Accounting Standards Committee (IASC). Since speaking at the global education conference, she has been appointed Chairman of the UK Accounting Standards Board.

Mary Keegan's 'wish list' for accountancy educators:

- Demonstrable training in ethics and objectivity.
- A real appreciation of global markets and finance.
- Understanding measures of business performance.
- Appreciating the business process with both IT and people focus.
- Harmonising our education systems internationally.

I agree with Leo Murray and his views on the enormous changes that face us in the next decade and beyond. I will now concentrate on changes in the accountancy profession. I will leave older, wiser and more experienced heads to debate the effect these changes should have on accountancy education.

For those of us in professional audit practice, the burning question at the moment is what we should call ourselves. Are we consultants? Are we accountants? Are we auditors? Or are we, more sexily these days, providers of assurance? Whatever the answers to these questions, it seems to me that we have one focus, whether we are accountants in business or practice. We are in the information game. And that is the origin of our new challenges; the internet has transformed the information game.

Information is power. But instant communication in a global marketplace fundamentally affects the business of today; it certainly affects the accountancy profession's ability to respond, and that means that the profession must change. At the same time, our understanding of what drives business performance is changing dramatically. The accountant of today, and certainly of tomorrow, must be skilled in new techniques of performance measurement. Looking forward, the audit of these new measures will challenge any previous model we could possibly have imagined.

This is a high-pressure world. For the accountant in business or the accountant in practice, it is not going to get any easier. We must strive to remember that accountants supply more than just general management skills. Arguably, our greatest contribution is a professional objectivity set in a strong ethical framework. It is this that sets us apart; preserving and demonstrating objectivity (and the scepticism that goes with it) must be our watchword. If we lose our objectivity, in the boardroom or in practice, we lose a great deal. So, the first challenge for accountancy educators is how to teach ethics and objectivity.

Challenge number two is to improve the state of the profession's understanding of the capital markets. Conversations with business and financial leaders reveal quite a disappointing level of knowledge and understanding of what drives the capital markets, and therefore of where business resource comes from. Even more disappointing is the average audit practitioner's knowledge of how these markets impact on today's business.

If we are going to teach accountants about the fluctuations and intricacies of international capital markets we also need a good understanding of their information requirements. And those go far beyond the basics of financial reporting. Companies are learning to focus their resources on activities that create long-term value and to measure benefits in terms of relevance to both shareholders and other stakeholders. Studies such as the Global Reporting Initiative have identified performance indicators, ranging from statistics on toxic emission control to data on customer satisfaction; the indicators will vary from industry to industry and company to company. Challenge number three is a recognition of the need for both financial and non-financial performance measures and the consequent range of skills necessary for the accountant and the auditor of tomorrow. You know that our understanding of business reporting is changing when an accounting technical partner finds herself talking on the same conference platform as someone from Greenpeace, as I have done.

In the new 'information game', we are all victims of a serious shortening of timescales. The financial services industry recognises this as it examines risk by measuring its balance sheet and financial positions on a weekly or even daily basis. The old days of substantive audit are dead and, whether in business or practice, we need new skills concerned with generating and accessing instant information about business processes. This is my fourth educational focus. Coupled with this, though, is another thought. Technology can bring enormous benefits to the delivery of education but is sitting at a screen going to help us develop the people skills that we need? The related challenge is how to combine the best of computer-based education with the best of people-based education.

If my wish list has not given you enough of a headache already, let me just add that it is all going to get worse before it gets better. But there is hope on the horizon, at least in some of our traditional areas of accountancy education, and that comes with international harmonisation. Nothing divides our profession on an international basis so much as the fact that we train our accountants differently in every country. Whenever two accountants meet across a national border we are obsessed with talking about the fact that we have had different training and different experiences and therefore that we are different. Globalisation of standards opens up the tremendous possibility of consistent training in core skills across national boundaries. The development of the global accountant of tomorrow requires absolute equivalence in the basics of training. That, to me, is today's main challenge for accountancy education.

## Human Capital and Technology

### Getting to Grips with Human Capital

Geoff Armstrong emphasises the critical importance of human capital to any forward looking system of accountancy education.

**Geoff Armstrong is Director General of the Chartered Institute of Personnel and Development which has over 105,000 members in the United Kingdom and Ireland. Formerly a main board director of Standard Chartered Plc and the Metal Box Group, he is also Secretary General of the World Foundation of Personnel Management Associations and of the European Association of Personnel Management.**

- The accountancy profession and the people profession need to get to grips with the less tangible, less rational features of intellectual and human capital.
- Our environment of change demands a lifetime process of learning and development.
- Professional bodies must add value at every stage of an individual's career. They should be creators of learning and intelligence networks.

During my career, accountants have dominated the management of enterprise. They have been the people in the boardroom and the people in the management suite. They are the people who have been the best trained, the best educated and who have common values and a common adherence to a well-articulated body of knowledge and ethical standards. Accountants have been the major shapers of the way organisations have run themselves throughout the twentieth century.

For most of that time, that was a force for the good. The organisational imperatives we were pursuing were to do with gaining access to cheaper capital and using it as effectively as we could. The prevailing orthodoxy was about standardisation and technology. It was about economy of scale and mass supply to mass markets. Organisations were internally focused and saw their role in the world as producing things customers would then beat a path to their door to buy.

Customers did not really feature in our thinking about the way organisations should operate. Customers, we thought, should be patient people who would wait for us to stop striking, get our quality right and get around to engineering the product in such a way that, with great gratitude, they could hand over a cheque to us. They should certainly not complain about the product's inadequacies because engineering was complicated, running a factory was complicated, being a manager was awfully difficult and they really should just be grateful for what they got.

But in the past 20 years our established approaches to management have been rudely interrupted. Not only have customers come to the forefront of our thinking but they have also demonstrated that they are willing to buy from anywhere in the world that gives them good value. On top of that, the definition of industries and competitors has changed, accelerated by the rapid spread of cheap, information-based technologies. It has become possible for the greenest newcomer to gain a competitive advantage against a well-established, well-managed organisation that has been around for years. On a world scale, each emerging country has learned lessons from its predecessors and is able to leapfrog whole stages of industrial maturity and development. It is possible for them to demolish many of the traditional sources of competitive advantage and distinction.

With mass affluence we succeed only by innovating and improving continuously. We have to anticipate customers' needs before they know they have them and leverage the intellectual capital of the enterprise to create high-value products and services which delight them, open up wholly new opportunities for them but which are quickly overtaken by the next wave of change.

We have moved into a knowledge-intensive, service-intensive, disembodied, customer-driven world. An organisation's capacity to create a sustainable culture, to lead, manage and develop people is becoming the main business differentiator. Many more businesses are fundamentally people businesses. They do not have a unique technology, product range, brand, or unique access to cheap capital that sets them apart from everyone else. A willing employee contribution at all levels of the organisation is key – and for all our clever technologies and systems we cannot prescribe how that will be done.

Value is driven by people and the leadership the organisation gives them. Decreasingly does it come from the traditional assets we are more comfortable measuring. I am not saying that we do not need audit, or compliance, regulation, or the law. Clearly, we do. But just as it is necessary, but not sufficient, to be operationally efficient, we cannot regulate our way to competitive success. We need to know what things are costing and how we can determine prices. We need to understand that we are applying our investments properly and that we are making the right choices based on the right information. But in a globalised stakeholder world, we are very good at measuring only a limited number of things.

And it seems to me we should be broadening the discussion. What accountants are about is that whole field of knowledge, understanding and practice related to the measurement and valuation of activities in an organisation and then a promotion of the organisation's value to outside investors and potential investors. This whole domain is relevant to a much broader population of managers than just 'the witchdoctors' of the accountancy profession who happen to have come into it by their early twenties. The test we ought to be addressing is how the accountancy and people professions can get to grips with some of these less tangible, rational things that are to do with intellectual and human capital and reputational value in order to create cultures, visions and organisations that will optimise the contribution from people at all levels. We need to research and experiment to identify what are the key drivers in what circumstances. And we need to find dynamic methods of measuring returns on the investment we put into them.

The challenge is even harder than it may appear because the harsh truth is that much of modern business has alienated many of the people essential to our survival and success. Just look at some of the one-note symphony strategies dedicated to cutting organisations to their barest essentials and outsourcing the rest. We use the language of strategic human resource management but practice putting the boot in. We talk about people as our greatest asset but, when they do co-operate with change, make them redundant by the tens of thousands. Many managerial actions have been swimming in exactly the opposite direction to the motivational approach we now need, albeit sometimes for apparently good reason.

The profession, the institutes and the business schools and universities should be thinking about how they can equip the broad swathe of directors and managers with the necessary learning tools that enable them to do their job properly, whether or not they want to be called accountants. This environment of change demands a process of lifetime learning and development. That puts a painful onus on professional institutes because we cannot be satisfied with the traditional educational entry routes and regulation alone. Accountancy and other professional bodies must reposition themselves so that they add value at every stage of an individual's career. They should be creators of learning and intelligence networks, of routes to solutions that can advance the strategic position and performance of the organisations their members work with. They should stimulate, challenge and inform their members both on how to do their professional jobs well and on the organisational context in which they work. It's not enough to grant a licence to practise, for an annual subscription, and then be there to protect the public against impropriety. People management, organisational leadership and the management of cultures and relationships which advance performance are key skills for the accountant. ICAEW, probably in partnership with bodies like ours, needs to find ways to help such skills develop.

In the real world, organisations are moving faster and have to be more agile. In the real world, professionals are expected to act as team players in multiple positions on the field, not just as narrow specialists. In the real world, careers zigzag. People might train in banking, move into marketing and along the way to general management have responsibility for activities that go way beyond their technical competence. Quite right too.

Accountancy is still the management discipline most likely to take you to the boardroom. Whether it will remain so into the next quarter, or half, century depends very much on making the most of the value contributed by its members.

Accountants need a more comprehensive scorecard than before. And to stay at the top, they need to lead the way in using it to create new value continuously, not just to be the profession alongside my own that always has a hundred good reasons to make the answer 'no'.

## Human Capital and Technology

### Seeing With Other Eyes

Gerard Toussaint believes that cross-cultural awareness is a necessary part of the twenty-first century accountant's toolkit.

**Gerard Toussaint is former Director of Corporate Human Resources at KPMG in the Netherlands. He has previously worked in human resources for the Dutch service industry trade union, for AMRO Bank and for a large Dutch retail corporation.**

- Accountancy skills, managerial qualifications, soft skills and leadership are equally important.
- Anyone in a client-serving business needs to understand their clients' businesses.
- A global mindset and a cultural understanding are all very important.

I am not an accountant and so I will approach the problem from a human resources perspective. KPMG has recently been trying to become a truly international firm, which involves, among other things, moving from a sort of federal state structure towards more integration. It is not an easy process but the key is to see what binds us instead of majoring on what makes us different. Knowledge is a fundamental aspect of that and we are trying to become more of a knowledge business.

As part of this development we are trying – and I would underline that word three times – to set up a global curriculum for the entire organisation. We have identified skills that are important at almost all levels of the organisation – of course, with different emphases – internationally.

The curriculum is designed to provide all the elements that make an accountant successful in the twenty-first century. The technical aspect is only one aspect. Accountancy skills, managerial qualifications, soft skills and leadership are equally important for individual success.

An ability to understand the business is crucial. Anyone in a client-serving position needs to understand their clients' business. Increasingly, but not exclusively, that means understanding e-business. E-business has its own dynamics that are different from the old economy.

We are also looking for people who avoid shallow thinking about 'the world getting smaller'. We are looking for a global mindset, a cultural understanding. Globalisation does not abolish cultures or national ways of doing business. That's why I can get a great deal of value from a new colleague who is well travelled or has done an international apprenticeship and therefore has the right kind of orientation. Even the increasingly common year off travelling before beginning work or education provides some cross-cultural insights.

Of course, languages come into this. A grasp of one or more foreign languages is very helpful and my American and British colleagues frequently say that this is a hole in their own education. I've heard one of my British colleagues say that maybe the UK firm should make an ability to speak a second language mandatory. I'm not sure this would ever happen but it is an important point.

Our people also have to be open to change: with the world changing around us this is essential to success. What is probably more important though is to be adaptable. This is being different from just being open to change. You have to move with the changes and adapt them and this is where experience of other countries and cultures counts.

Managers in KPMG in the Netherlands have said to me that the firm has invested a lot in recent years in business training, particularly in leadership skills. But they complain that the young accountants of today no longer know how to do accounting. They feel that the educating institutes, which have taken over the technical training, have also put a lot of emphasis on the softer skills, with the result that less time is concentrated on actual accounting skills.

The accounting basics are important but in order to survive in the twenty-first century managerial and people skills will be just as crucial.

## Human Capital and Technology

### Keeping the Human Touch

Dr. Olivier Giscard d'Estaing suggests that traditional factors will continue to influence accountancy education and practice.

**Dr. Olivier Giscard d'Estaing is the Founding Dean of the INSEAD Business School at Fontainebleau and Chairman of the INSEAD Foundation. He is Chairman of the Business Association for the World Social Summit and the European League for Economic Corporation, France. He has been a Member of the French National Assembly. He is also Chairman of the International Business Advisory Board of UNIDO.**

- Globalisation affects society as well as business and is in danger of creating a world underclass.
- Instant communication places new demands on the accountancy profession.
- We need the human touch. We need to work in groups and learn how people react.
- We need to take account of those who adjust slowly to change as well as of those who embrace it enthusiastically.

Globalisation is the principal event that will impact our societies for the next decade. It affects every aspect of our lives, from our jobs to our entertainment and our vision of the world and of ourselves. It is a change in nature.

When I was Dean of INSEAD I wanted to see my faculty members in the office every day, to make sure they were working. That is now a nonsense; you can work anywhere in the world. You can go to Bangalore and find someone working on the same computer, using the same models. The internet creates a new climate, a new way of using human resources and of communicating.

I find a disturbing element in this, as I do when I visit a department store and feel lost because of the sheer number of choices available. Many of the world's stock markets are already immediate and the demand for instant information is growing whether it be in respect of a client on their own business or on other business. Instant communication will place a great pressure on the accountancy profession, obliging it to be both very true and very quick in its responses. And the new climate makes it far easier for speculation and wrong information to circulate. Another challenge arises from the growing importance of values that you cannot quantify, for example, those related to ethical behaviour. All those virtual elements, all those uncertainties are now taken account of in the valuation of a company which makes it very difficult to estimate the value of a business or its future results.

I believe strongly that you cannot enter business if you do not have a strong basis in accounting. In that sphere it is rather like the ability to read. At INSEAD we expected all our students to have this grounding before they joined us. But why bother going to a college when you can study on-line? You can sit down with your computer and have access to the best courses in the world.

Yet this, attractive though it may seem, is not enough. Such methods are only one part of a total programme of education. We need the human touch. We need to work in groups; we need to learn how other people react; we need extra explanations, we need guidance. The accountancy profession should be training professional teachers who also do research and who can work the internet. Only such people will be effective guides for your students.

A successful accountancy profession also demands good communication between accountants and business. I see accountants as teachers in the way they deal with company matters. Companies have to listen to accountants in the way they appraise the business.

I am often struck by the walls that divide countries, that come between professions, between public and private and between international and national organisations. Some of them are inevitable and even necessary. I do not think, for instance, that a single set of accounting procedures will come to be entirely dominant. Different countries will continue to have different ways and interpretations and accountants must be very much aware of that.

Indeed, different conditions between nations will probably slow down the process of educational change. We will have to accept that the world moves at two different speeds – those who readjust and move ahead and those who slowly adjust to change. I hope you will pay some attention to the needs of the second group. What frightens me the most about globalisation is the creation of a new world for those who are 'in' and another for those who are 'out'. The gap between the two is terrible. Globalisation has an impact on social aspects, on hunger, poverty and education. We need to keep this in mind in determining our vision for tomorrow.

# The Internet: Opportunity for a Learning Revolution

## New Education Models

Martin Geerling argues that the internet can, and should, re-shape traditional teaching methods.

Martin Geerling is President and CEO of RBG, a consulting firm in change management, cultural change, education and training. Previously Secretary of the Education Board of the Royal Dutch Institute of Registered Accountants (NIVRA), he has also served as Head of Training at the ING Bank in the Netherlands, as Vice-President of the Dutch Institute of Bankers and Stockbrokers and was founder and Chairman of the International Foundation for Education in Banking and Finance.

- In terms of teaching methods, we are stuck in the Middle Ages.
- While classroom teaching has a role, modern media gives teachers valuable new tools that will help them teach more effectively.
- Using the internet, complex training situations can be simulated on-line, tailor-made examples given and on-line services with specialists organised.

We all agree that the world is changing at an ever increasing pace, in every conceivable area. One of the most influential changes is the pace at which new technology is introduced, used and replaced. The influence of new technology on our present society is unparalleled and not only presents us with constant challenges but also requires that we use it responsibly and effectively.

One of the consequences for training and education is that there is hardly any time to keep up with new developments. The importance of keeping up to date is increasing exponentially but the learning curve has shortened and there is less time for adaptation

And how are we dealing with the problem? For the greater part, by traditional classroom teaching. Most modern training institutions, even those that deal with modern media, rely almost completely on students using books and listening to teachers; there is a clear continuity with the methods of the Middle Ages. Yet research has shown that traditional classroom education by teachers of flesh and blood is one of the least efficient methods of transferring knowledge. Continued acceptance of the current system is curious considering that our insights into education have improved dramatically during the last century. It is all the more surprising when we see the possibilities of modern media – television, video and the internet – every day. And it is remarkable when you see that the younger generation, more critical in attitude and more skilled in finding information, has little patience with classroom lectures.

This is not to say that there is no value in classroom education. Just as traditional education systems have their limitations, the application of modern facilities is not the be-all and end-all. People are complex beings with varied needs in the way they absorb knowledge. It is high time we accepted that there is always more than one way to skin a cat, so to speak! A journey to Rome on foot has its rewards and provides ample opportunities for personal improvement but it may not be the most efficient option if you just want to get to Rome quickly.

It is not, however, just unwillingness to change that prevents the widespread adoption of modern media in education. Representatives of higher education offer three arguments for limiting the use of the internet:

- The educational process requires frequent human intervention. Teachers can draw on their experience to give immediate feedback to their students and tailor lessons to their different needs.
- Modern media cannot teach more complex skills, particularly of the professional, communicative or social variety. Learning how to convince people, how to communicate or how to debate are skills that can only be acquired by practice.
- Flesh-and-blood education allows teachers to learn from pupils and pupils from each other.

These arguments are all valid but they do assume that every teacher can offer real added value. There are four basic rules of learning and training. They have a universal applicability and it is irrelevant whether we participate in a formal, conscious learning process or learn through trial and error. These rules are:

- Behavioural change requires new input. If you have never seen a car, learning to drive one will be a challenge, to say the least.
- Without real interest in the offer there will be no commitment. In order to learn, a student should have sufficient interest in the information.
- Practical application is required to prove that things work.
- Practice makes perfect.

Apply these rules to the classroom and you can see that teaching places high demands on a person's knowledge and on their didactic, communicative and social talents. A single person is not only expected to be a source of information but to serve as an inspirer, motivator, coach and first aid assistant – and that in a context where he or she has to deal not with one but with many students, each possessing their own qualities, needs, possibilities and learning strategies. No teacher, however outstanding they may be, will excel in every single aspect of their immense role.

Just as a human teacher has his limitations, modern means of transferring information are far from perfect. But it is high time to make the best use of the unique and specific possibilities that media can offer us. As a learning and teaching tool, the internet offers many opportunities and can help classroom teachers meet the four rules of training as it:

- allows instant referral and links to remote sources and can be accessed quickly, from almost any location, even at home, eliminating many travel and accommodation costs, freeing resources for the benefit of students and educational institutions;
- creates unprecedented possibilities for individually tailored content with opportunities for interaction and intervention (on-line communication with a tutor, help desk or fellow students is already available in many e-learning environments);
- brings new visual capabilities; and
- has a huge capacity for storing and changing information, and keeping it up to date, in virtually unlimited quantities.

This does not mean we can dispense with the teacher. Indeed, the internet allows us to exploit their skills more fully. Complex training situations can be provided on-line. Tailor-made practical examples can be offered. On-line seminars can be organised where specialists give their views. Other options arise from linking on-line activities to off-line lectures and workshops. Students who meet certain requirements could be invited to participate in on-line meetings; this would allow training institutes to organise courses for students with the same levels of competence, allowing teachers to concentrate on distinct ability levels in different sessions.

Of course, teachers must be given the opportunity to assess how students are progressing. The internet gives them new tools to do this. Students could receive on-line assignments on a daily or weekly basis, to be completed at home or in the course of their professional activities. We can create links with tutors or coaches who can assist them on-line in the execution of their assignments.

Students must eventually operate on their own, acquiring proficiency by working in a practical setting. Here too, the internet offers support possibilities undeliverable by any teacher. On-line guidance promotes the exchange of knowledge, insights and experience, which in turn contributes immensely to improving the quality of professional work.

If used correctly, the internet offers possibilities that will not only improve the effectiveness and efficiency of learning but will also help meet the ever-changing and increasingly demanding requirements of modern society on the accountancy profession.

# The Contribution of Professional Institutes and Universities

## Integration is the Key

Professor Keith Hoskin sees integrated learning as the key to progress.

Professor Keith Hoskin is Professor of Accounting at Warwick Business School where his major research interests are in the relations between accounting and modern managerialism and in the development of accounting education and training. He has lectured widely in Britain, on the Continent and in the United States and has been a Visiting Professor at the University of California at Berkeley and a number of other universities.

- We are all, educators and students, old dogs who need to learn new tricks – we know what we need to do, we just don't know how to do it.
- Our current education systems lean against integration, in favouring disciplinary specialisation.
- What we need is a successful means to ensure integration, in both content and delivery.

The need for change in accountancy training is not a new aspiration. I think it is important to record, even though the pace of change is speeding up, that we have been in this condition for quite some time. The managed search for change began in the US in the 1980s and took fruition with the Accounting Education Change Commission. In 1986, a statement was made that required major reorientation between then and the year 2000. We should all remember that we are not the first to attempt to do this.

But at the same time, the wagons of change are now rolling at considerable speed. The problem of managing change has been implicit in all our discussions. There is not a feeling of despair exactly but of weariness when we see how much change there is to manage. How are we going to cope with it all? The problem is, I think, that we know what we need to do, we just don't know how to do it. We are old dogs who need to learn new tricks. But we know how difficult that is.

That is true for all of us, whether we are educators in universities, training organisations or accountancy firms. But it is also true to a large extent for the students as well. Most of them will be new to the kind of training that will turn them into the wonderful people that we need. We are asking them to succeed in ways that are very different from the ways they have always succeeded in the past.

I have spent a year looking with a research team at best practice in accountancy training and education in the UK and abroad, both in terms of professional training and academia. This research confirms that we have what Basil Bernstein, the distinguished sociologist and educationalist, called the 'collection code approach' to education. By this he meant that we learn separate subjects then try to make connections between them. Successful firms, and universities too, drive automatically towards disciplinary specialism but this is not necessarily the best way. Instead, Bernstein proposes an 'integrated code' approach, based on promoting relational ideas that blur the boundaries between subjects. Integrated learning is crucial if you are going to become truly reflective and a potential expert in accountancy or other aspects of business. This view is widely shared amongst my colleagues teaching management, marketing and strategy.

But how do you produce integrative learning when there is a constant counterweight pushing you towards a collection code mentality? This is a fundamental problem and it will not be easily resolved. Where do we start?

Our recent research at Warwick has also drawn on work by Harold Silver, a distinguished British educational researcher, who argues that educational innovation has been channelled into specific reforms in curriculum, teaching and learning and organisation and management. But what is needed is innovation across the board. We need to develop content in terms of both qualification-focused learning and workplace learning in an integrative way.

But content alone is not enough. We also need to find a delivery system that goes beyond the collection code approach in spite of the internal dynamics that work against integration. Nobody wants to be a crammer and yet our students are pushed down that mindless, mind-numbing route. There is a lot to learn and they are under time pressure for many reasons, not least because of the cost to their firm of them being out of the office while they are learning.

British business and accountancy education has got to the stage where it employs what I call a 'collection code plus' approach. Most exams require a 'crowning case study', the moment at which one is supposed to demonstrate depth of understanding. The aspiration is laudable but everyone will agree that this is rather late in the game to be trying to produce an integrated approach. Most students find it very difficult and both here and abroad good honours graduates are turning out rather poor performances. They are being asked to succeed in a way that goes against everything that they have been taught.

Business education is shaped by the professional institutes, accountancy firms, tutorial organisations and by the universities. The ICAEW is taking steps to re-engineer those relationships, rightly seeing them as key to reforming educational delivery methods in ways that promote integration. It is also trying to develop a more integrated approach in its own qualification, starting with course content because that is the area most amenable to change. Such a strategy, based on an understanding that preoccupation with individual course content alone is insufficient, and that a comprehensive change of attitude is required throughout our educational networks, is the only way to allow future students to make the connections that successful modern business demands.

# The Contribution of Professional Institutes and Universities At the Coalface: A Case Study – the ICAEW's Approach

Professor Brian Chiplin discusses the ICAEW's educational strategy.

Professor Brian Chiplin is the ICAEW's Executive Director of Education and Training. He was previously a Pro-Vice Chancellor at the University of Nottingham and Director of its Business School. Since joining the Institute in 1999 he has led a redesign of the ACA qualification whilst working closely with other professional bodies on changes in international qualifications.

- We need to explore the role of a professional body in the twenty-first century. Furthering public interest must be paramount.
- We need an adaptable and integrated approach embracing content delivery and infrastructure.
- We must protect the gold standard of the Chartered Accountant's qualification.
- Our aim is to link technical knowledge and understanding of business issues with training.
- We need to be clear about what we mean by a global qualification.

It is clear to me that many people are looking to the ICAEW to provide a solution to the problems we face. My Institute has to listen to the analysis, some of it conflicting, and decide what is the best way forward. We have to produce a local solution to an international problem. The ICAEW has 18,000 students under training, 4,000 new students each year and many major clients. So we are trying to set a framework which will enable us to operate locally whilst taking account of the range of international drivers.

There is now no steady state for our profession and I confess I am no longer sure exactly what is the role of a professional body in the twenty-first century. Perhaps the only fixed point is the primacy of the public interest. That statement can produce quite a tension amongst ICAEW members because many people believe we should act as a trade association. But the historical position is that bodies like ours are there to reflect, and work for, the public interest.

We must, however, also consider our members. They are very influential and can express their views through the voting system. This makes for a difficult governing structure. Their overriding interest is in the value of the qualification, for new students and old. They are also concerned that we preserve the standards of the profession.

Nor must we forget our students. They are our members of tomorrow and we need to build a long-term relationship with them going forward. Why do students come to the ICAEW? Our research tells us that they do so for two principal reasons: the global and national value of the qualification; and because many of the firms that provide training are big players with strong brands. The two are, of course, complementary as external validation by a professional body links to the reputation of a particular firm. We are very selective in accepting students and generally take in incredibly bright people. 96% of our intake hold degrees, 80% having first or upper second class honours. About half come to us with prior qualifications in accounting or business studies. We train them largely in public practice and yet when they have qualified, the majority of our members work outside public practice. We consider that a great strength, but it is something that is under pressure.

Should we offer a unitary qualification, the same for all students, or should it be specialised? If the latter, should it be a pre- or post-qualification specialism? Our members recently rejected the specialisation route by a very narrow majority but I suspect that the issue may, in the longer run, be re-opened. Our audit qualification is a post-experience qualification in that students require work experience. There is a possibility of opting for a general qualification followed by an audit qualification and we are in discussion with some of the other chartered bodies to see how we can move forward in harmony. In doing so we believe we need to develop a qualification unconstrained by the particular requirements of audit.

What is the role of continuous professional learning, both during the training process and afterwards? I am convinced that we need to change and that all parties would benefit from that change. Interaction is a crucial part of that process. The internet is a tool but it is not the answer. For my part, I am more interested in the internet as an assessment tool than as the exclusive learning tool that some people believe it to be.

Our aim at the ICAEW is to link technical knowledge and understanding of business issues with training and move to a new style of learning linked to work experience. We have a unitary qualification with an option of post-qualification specialisation and are therefore seeking new ways of working with higher education and tutorial and client firms. Every component of the new ACA (with the exception of the final case study) can be taught within higher education anywhere in the world. We regard close co-operation with higher education as an important part of our future.

Our big challenge is to deal with the global issues. There are a large number of alternative definitions of 'global' but let me raise just two. One is simply that a global qualification is one accepted throughout the world as conferring particular competencies. Many British accountancy qualifications do just that, independent of whether the qualification gives universal practice rights. That is difficult and anyway may not be the main goal for us to work towards. We must first be clear what a global qualification would actually entail and I am not sure that we are there yet.

In all these changes our guiding phrase must be 'don't forget the basics'. We have a real advantage in that we pick students when they are relatively young and give them a programme of work experience and learning. Our disadvantage is that we are not yet in a position to offer a fully integrated programme of work experience and learning. We have to create a framework that can be developed in an integrated way. We need content, delivery and infrastructure. We have to be adaptable but must remember that chartered body qualifications have high reputations in the market place. These can be destroyed very quickly and we must therefore retain what I think of as the 'gold standard' while seeking the benefits of adaptability.

# The Contribution of Professional Institutes and Universities

## An Aspirational Guideline

Professor Belverd Needles provides a case study in educational change and sets out the benefits of new international guidance.

Belverd Needles is Arthur Andersen Distinguished Professor of Accounting at DePaul University. President of the International Association for Accounting Education and Research (IAAER) he has served as the elected US representative to the European Accounting Association. A former Chair of the International Accounting Section of the American Accounting Association, he has also served as United States representative on the Education Committee of the International Federation of Accountants (IFAC).

- Guideline 9 is an important element in meeting the challenges of accountancy education.
- Lifelong learning is an essential part of modern education.
- We need to find out what stakeholders want from accountants, and convince them that any changes to the education system are the right changes.

First of all, a word about IAAER. We are the global organisation for academic accountants. We are a little unusual in that we are a membership organisation consisting of almost 1,000 academic members from 55 countries. We are also a federation, consisting of more than 40 academic and professional associations from around the world. Most of the leading academic and professional organisations are members of IAAER.

What can academics do to meet the challenges facing accountancy education? Guideline 9 (IEG 9 'Prequalification education, tests of professional competence and practical experience of professional accountants') is, in my view, a very important document in finding the answer. Once the guideline was produced, the next step was to give guidance on how it should be implemented. A task force was set up to tackle the problem and its report has been released in draft form (see [www.iaaer.org](http://www.iaaer.org)).

Guidelines are intended to be aspirational in nature, not descriptive. They serve as benchmarks for educational programmes in most parts of the world.

IEG 9 covers the elements of accounting – knowledge, skills and professional values. It has five elements: entry requirements, general education, professional education, assessment and experience. The knowledge areas addressed are general education, organisation and business knowledge, information and technology knowledge and accounting-related knowledge. The skills section focuses on the development of intellectual, inter-personal and communication skills. Professional values, standards and ethics, including concern for the public interest and a commitment to lifelong learning, also feature strongly.

Three basic issues were addressed in the report. The first is how to foster lifelong learning among future professional accountants through accounting education. The second is how to design and implement a programme of accounting education that achieves the objectives of pre-qualification education. The third is how to develop awareness of a need for improvement in accounting education and the courage to make changes. For now, I will concentrate on the first two issues.

Guideline 9 states that accounting education should produce competent, professional accountants capable of making a positive contribution to their profession and society. This requires the maintenance of professional competence in the face of change and the Guideline is clear that change is the dominant characteristic

facing accountants; half of what we learn today will be of little value within five years.

The objective of lifelong learning is to develop skills that will help you learn more effectively throughout your career. To do this, you need to focus on the content, processes and attitudes that will help you achieve it. Students or candidates need to be assessed on their knowledge, intellectual development, practical preparation and attitude to learning.

To use a personal example, I have spent the past two years at DePaul University directing an effort to restructure our curriculum at undergraduate and graduate level. A lot of the project involves developing lifelong learning. Recently I went to Japan for a research conference. Before I left, I was preparing students for some quite complex team projects. These involve research, analysis, use of the internet, computers and library and required a presentation on my return. My students will be able to perform these tasks better than if I had stayed in Chicago directing a continuing class. My students were engaging in the process of acquiring lifelong learning skills. I am sure they learnt more while I was away than they would have learnt in class. My basic role is that of a manager of the education process rather than a lecturer.

The second issue addressed in the Guideline is the need to design and implement a programme of accounting education that delivers the pre-qualification education. A key to this, in fact the first step, is to seek information from stakeholders. We need to identify our input and output markets. What students or candidates are going into these programmes and where are they going to go? International accounting firms are far from the only student destination. Management accounting training, for instance, is much more appropriate for some parts of the market (and there have been big changes in the traditional educational programme in that sector over the last year). Our school has six different programmes, all with different markets, all with different interests and structures. They sometimes overlap but each is directed towards a particular market need.

I have heard it said that we do things backward in the US. Not so, we just do them differently. We tend to use a linear model but there are also integrated models that are equally good and appropriate for different places in the world. Let me give you some lessons from my own institution. Identifying the courses that make up the curriculum is a valuable exercise in that it helps us see whether our students are achieving all the things we want them to achieve. We undertook this exercise and then worked on developing courses that would better meet those needs. This often meant not relying on textbooks but creating new kinds of materials. Ongoing review was vital too. We are developing new courses, surveying the students as they finish them and testing standards across the board so that we will know how our programmes are being implemented.

The Guideline 9 report is extensive and offers a wide range of strategies. There are challenges, of course, in achieving change. Awareness of the principles of academic education is important. The traditional view of the role of accounting can be a limitation. The knowledge, background and training of educators can sometimes be a negative as can variations in cultures and traditions. All these factors underline the sheer necessity of positively selling change to students, other stakeholders and generally across the board.

## Appendix

### The EIASM International Study

Gert Karreman describes the major research into accountancy education now underway at the European Institute of Advanced Studies in Management.

Gert Karreman is project director for the Brussels-based European Institute of Advanced Studies in Management (EIASM) where he is responsible for the research project on the impact of globalisation on accountancy education. Previously director of education with Royal NIVRA in the Netherlands, he was also programme director of Royal NIVRA Nyenrode University.

My aim here is to tell you about the research project on the impact of globalisation on accountancy education carried out by EIASM. One of the goals of EIASM's existence is to contribute to a deeper understanding of the various systems of accountancy education. Our current major project provides a global analysis of accountancy qualifications and education and training systems based on information from a number of countries that have been selected in view of their different characteristics. We hope that the results will contribute to realistic and achievable guidelines for accountancy education. Specifically, we hope it will assist with both the implementation of global standards and comparisons between qualifications as part of the harmonisation and mutual recognition process. Last but not least, we hope it will help in the establishment and sustainable development of new models of accountancy education.

Leading experts, professional bodies and accountancy firms have made the project possible. There is close co-ordination with the International Federation of Accountants. The project has the support, and active involvement, of many institutions, including most of the principal bodies internationally and a number of academic institutions, notably the International Association for Accountancy Education and Research. The overall economic importance of the subject can be illustrated by the interest shown by the European Union, the OECD and the World Bank. Cooperation is the project's hallmark.

We have already established a supporting research network and the first version of our model, complete with international benchmarks, has been developed. Regional and local research began in early 2001. The project will finish in about two years and will be one of the main topics at the 9th World Congress, to be organised by the International Association for Accountancy Education & Research, preceding the World Conference of Accountants in Hong Kong in November 2002. A final publication will follow.

Up-to-date information about the global accountancy education research project can be found at [www.eiasm.be](http://www.eiasm.be) under the heading 'international projects'.



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The general mission of the European Institute for Advanced Studies in Management is:

- to contribute to the development of and to sustain a network of management researchers and teachers in Europe;
- to organise conferences, seminars and workshops on research in disciplines relevant to management;
- to encourage and facilitate the initiative and co-ordination of joint research; and
- to enhance the development and the quality of European doctoral student education.

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