



The Association of
Accountants and
Financial Professionals
in Business

The global
body for
professional
accountants



Drivers of change in Asia-Pacific

Introduction

This report outlines the Asia-Pacific-relevant findings from a global survey conducted in 2012 by ACCA and IMA across their membership on drivers of change for the accountancy profession. It presents Asia-Pacific's key drivers of change in the short, medium and long term for a variety of businesses. By identifying and exploring emerging trends, it can help accountants and business leaders prepare for an uncertain tomorrow.

This report goes further than simply identifying critical drivers across various time frames: it explores the extent of their impact according to a firm's size and activity.

What is most telling from the analysis is that accountants share similar lines of thought with senior executives. For instance, both accountants and senior executives highlight a need for more use of non-financial and integrated reporting, as well as the need for accountants to have a more strategic role.

CONTENTS

About the survey	3
Key findings: drivers and their impact	4
Key findings: short term	5
Differences in Malaysia, China and Hong Kong	6
Analysis: by size and sector	8
Analysis: by role of respondents	10
Key findings: medium term	11
Differences in Malaysia, China and Hong Kong	12
Analysis: by size and sector	14
Analysis: by role of respondents	16
Key findings: long term	17
Differences in Malaysia, China and Hong Kong	18
Analysis: by size and sector	20
Analysis: by role of respondents	22
Drivers and how they relate to each other	23
Five imperatives for the accountancy profession	25
Five imperatives for business	26
Methodology	27

About the survey

In 2012, ACCA and IMA conducted a global survey to identify future drivers of change that will affect businesses and the global accountancy profession across three timeframes: the short term (up to three years into the future), the medium term (4–9 years) and the long term (10+ years).

Over 550 professional accountants and business leaders from different sectors offered their insights.

Respondents were asked to rate each of the drivers on a scale of 1 to 7 (where 1 = no impact and 7 = significant impact).

Findings from China, Malaysia and Hong Kong also feature in this report where possible (where minimum sample sizes are met). Additionally, as the figures presented in this report for accountancy practices are based on a small sample size, the results should be interpreted as indicative only of a trend and/or a sentiment.

This report is part of a larger study, *100 Drivers of Change for the Global Accountancy Profession*.

FURTHER READING

Other reports related to ACCA's global Drivers of Change survey are also available:

- *Drivers of Change in the UK* (ACCA and IMA, February 2013)
- *Drivers of Change in the US* (ACCA and IMA, February 2013)
- *Drivers of Change: Global Perspective* (ACCA and IMA, February 2013)
- *100 Drivers of Change for the Global Accountancy Profession* (ACCA and IMA, September 2012)

www.accaglobal.com/futures

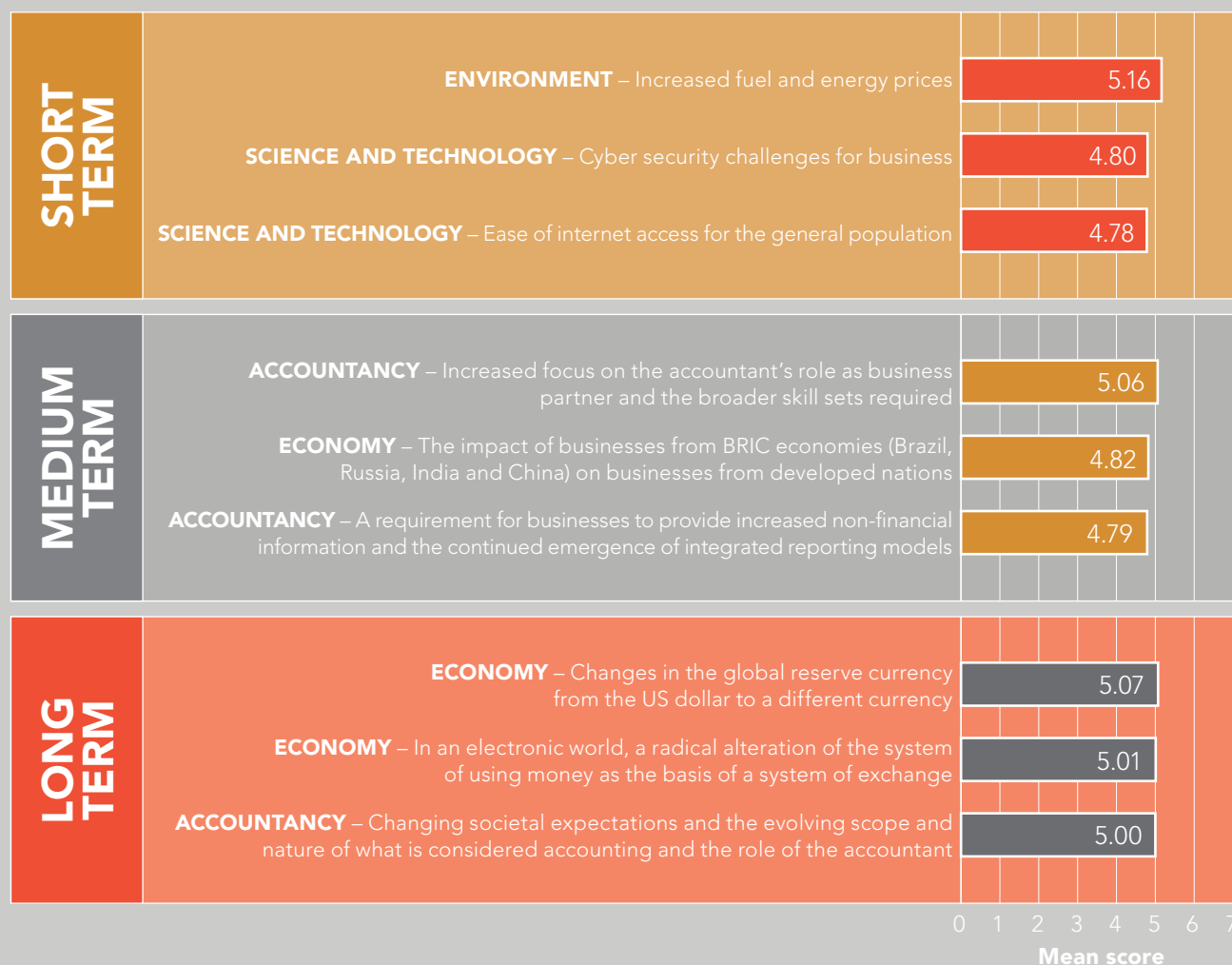


Key findings: drivers and their impact

For the immediate future, businesses and the accountancy profession in the Asia-Pacific region are most concerned, by far, with rises in fuel and energy prices. In the more distant future, however, trends relating directly to the profession and to the economy are more important.

Accountants will be expected to play a far greater role in everything from strategic decision making to the design of new revenue models, while maintaining a balance between financial stewardship and entrepreneurship in a global economy where businesses are operating in a volatile, uncertain and competitive environment.

TOP THREE DRIVERS IN THE SHORT, MEDIUM AND LONG TERM



Key findings: short term

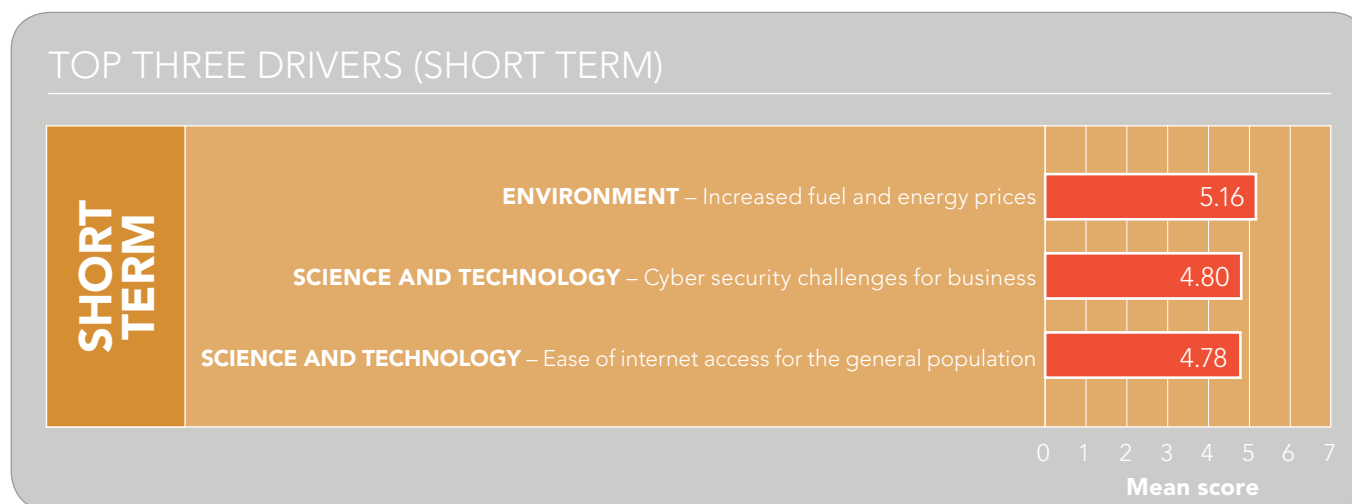
Across the region respondents cited the rise in energy and fuel prices as the most pressing issue facing businesses in the immediate future. The second and third critical drivers that are expected to have significant impact relate to science and technology.

‘High cost of fuel and energy reducing overall business profits’

‘Increasing role of technology to streamline businesses, give market advantages and change the way we work’

The cyber security challenges posed by an array of threats were the second driver identified. As the world has become ever more reliant on computers, the continued digitisation of financial services has opened up individuals and organisations to threats from cyberspace, and new forms of cyberterrorism, cybercrime and cyberfraud will continue to emerge.

The third critical driver that is expected to play a role in the immediate future is the ease of internet access



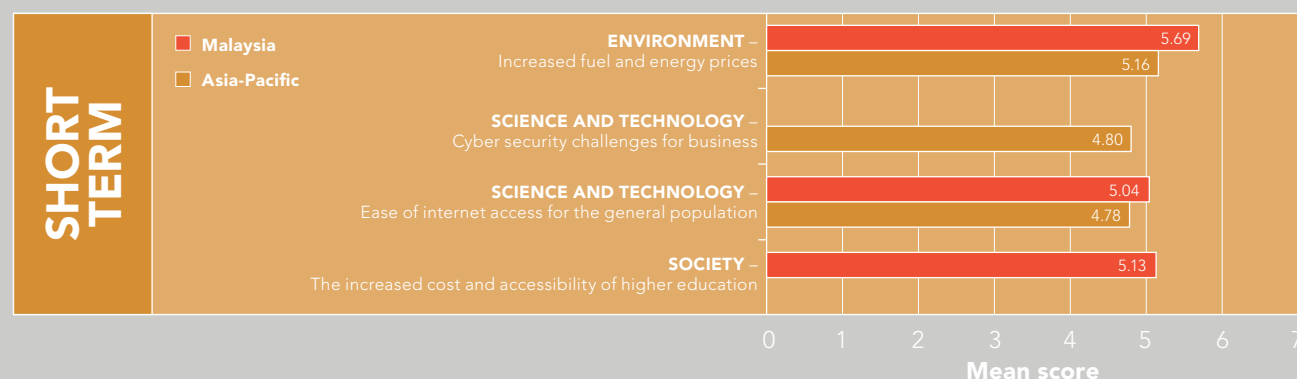
for the general population. Low-cost smartphones offer the potential to take the internet to almost every citizen in the next few years, and the true potential of the Web has yet to reveal itself. The internet is transforming industry supply chains in many sectors and threatening to reinvent completely some industries, such as publishing. At the same time, social media are creating new opportunities to engage the public and expand individual social spheres in a manner unthinkable before.

How do these drivers in Asia-Pacific compare with global findings? Asia-Pacific's first and second critical drivers mirror those reported on a global level. The third short-term driver, however, differs. Internationally, the evolution and strengthening of global corporate governance regulation and practice were identified to be of more importance than the increasing speed and ease of internet access.

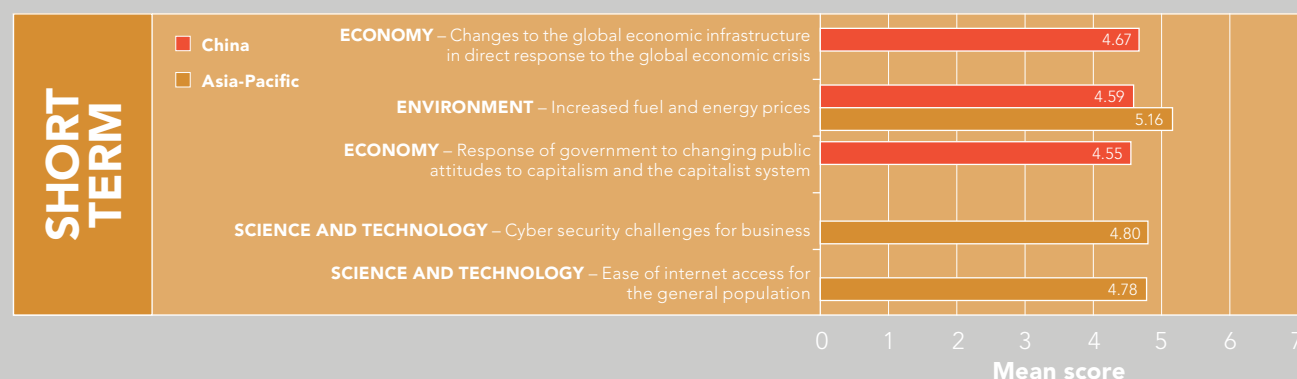
Differences in Malaysia, China and Hong Kong

Respondents from Malaysia highlighted the increased cost and accessibility of higher education as their second most critical driver rather than cyber security challenges for businesses. Additionally, Malaysian respondents were more sensitive to rises in fuel and energy costs than other respondents across the region.

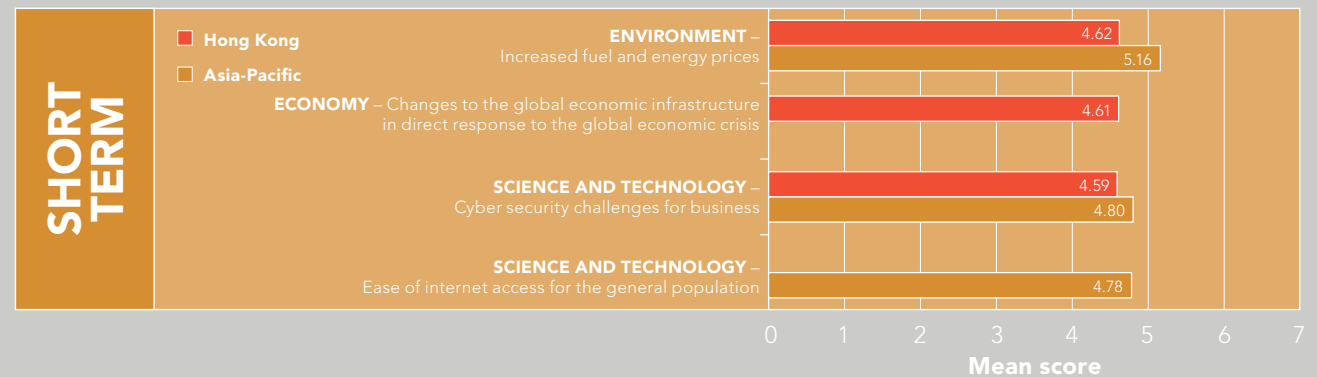
TOP THREE DRIVERS: MALAYSIA COMPARED WITH THE ASIA-PACIFIC REGION AS A WHOLE



TOP THREE DRIVERS: CHINA COMPARED WITH THE ASIA-PACIFIC REGION AS A WHOLE



TOP THREE DRIVERS: HONG KONG COMPARED WITH THE ASIA-PACIFIC REGION AS A WHOLE



Analysis: by size and sector

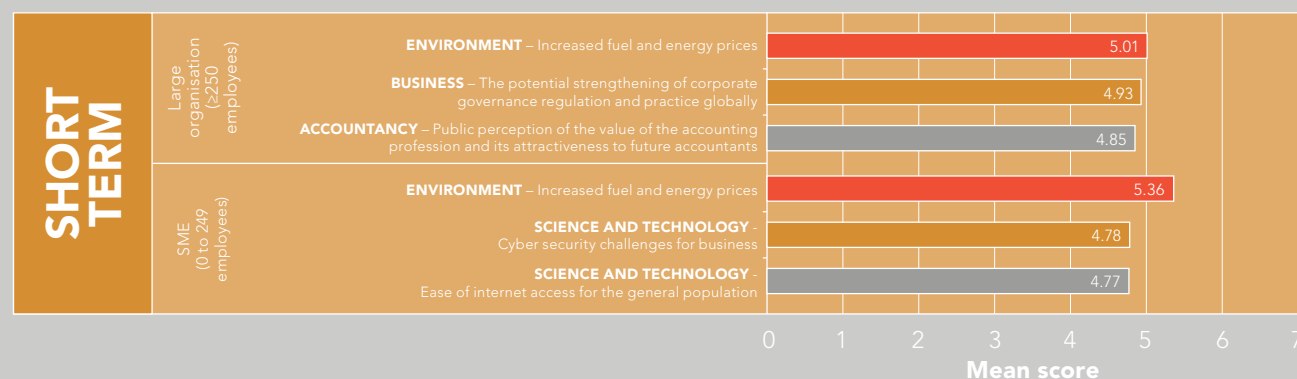
The rise in energy and fuel prices was the concern most reported by companies irrespective of their size. It is no surprise, however, that small and medium-sized enterprises (SMEs) reported higher levels of concern about rising fuel prices and energy costs as they represent a heavier burden for them than for larger organisations.

“High cost of fuel and energy reducing overall business profits”

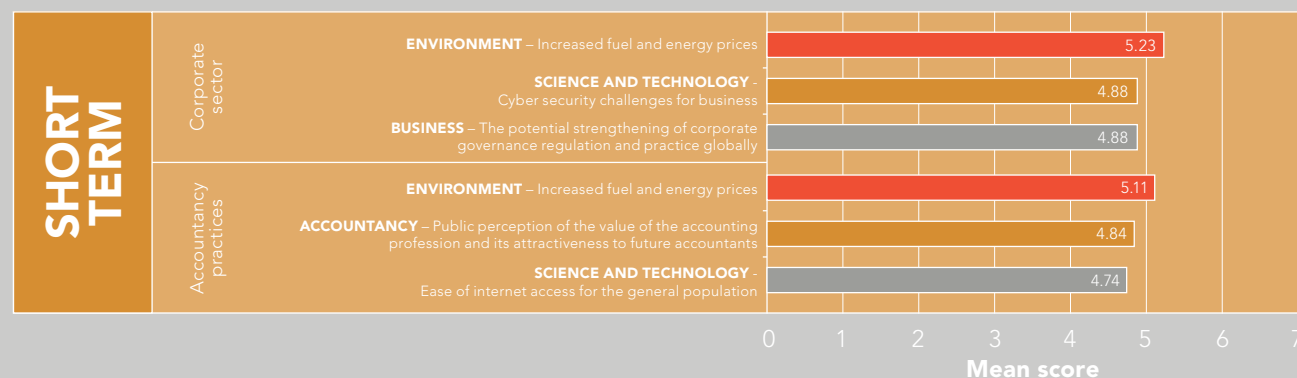
Large organisations (≥250 employees) placed the ‘public perception of the value of the accounting profession and its attractiveness to future accountants’ in third place in their list of concerns while SMEs gave more importance to the ‘ease of internet access for the general population’.

From a sector point of view, Asia-Pacific’s corporate sector identified the cyber security challenges and the potential strengthening of corporate governance regulation and practice globally as critical short-term drivers while accountancy practices highlighted the perception of the value of the accountancy profession and ease of internet access.

TOP THREE DRIVERS: BY SIZE OF ORGANISATION



TOP THREE DRIVERS: ACCOUNTANCY PRACTICES* COMPARED WITH THE CORPORATE SECTOR

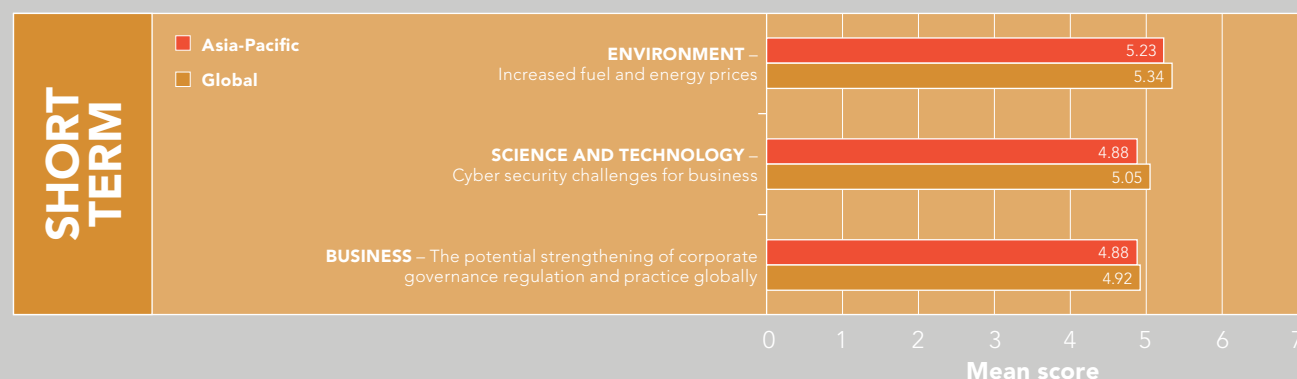


*Asia-Pacific accountancy practices figures are based on a small sample size

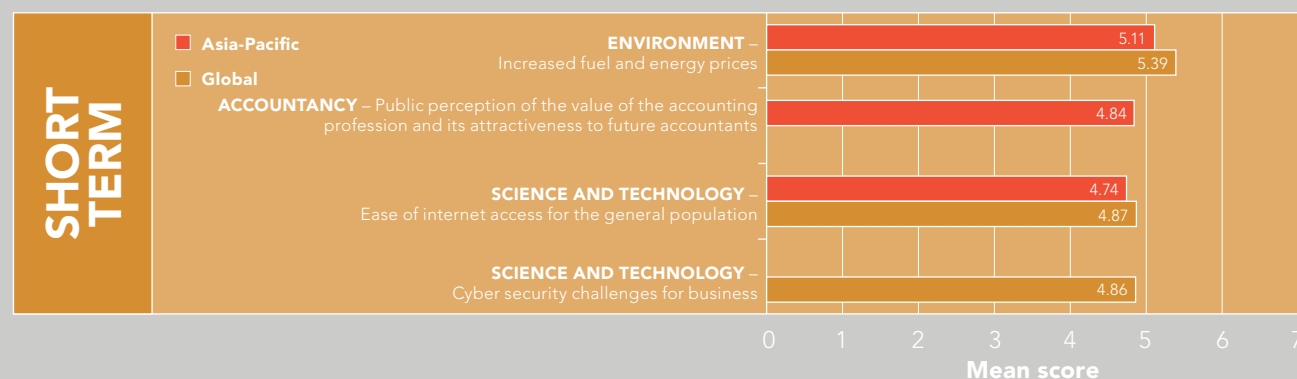
Compared with accountancy practices worldwide, those based in the region saw the public perception of the value of the accountancy profession and its attractiveness to future accountants as a critical driver in the short term. There is no doubt that the public standing of and trust in accountants are critical to the effective functioning of the accountancy profession. Negative perceptions and the debate over auditors' duties, responsibilities and accountabilities have now resurfaced almost a decade after the Enron scandal and have raised concerns that such issues could hamper the ability to recruit and retain top talent in the profession.

Asia-Pacific corporate sector respondents highlighted the same three short-term drivers reported on a global level.

TOP THREE DRIVERS: COMPARISON OF ASIA-PACIFIC AND GLOBAL CORPORATE SECTORS



TOP THREE DRIVERS: COMPARISON OF ASIA-PACIFIC AND GLOBAL ACCOUNTANCY PRACTICES*



*Asia-Pacific accountancy practices figures are based on a small sample size

Analysis: by role of respondents

Increases in energy and fuel prices were cited as the most important short-term driver in the immediate future.

Senior executives based in Asia-Pacific identified the cyber security challenges facing businesses as the second most critical driver and the increasing cost and accessibility of higher education as the third.

Overall, Asia-Pacific senior executives placed more importance on the increasing cost and accessibility of higher education than on the evolution and strengthening of global corporate governance regulation and practice.

INCREASE IN FUEL AND ENERGY PRICES

REPORTED BY

senior executives: **72%**

THE INCREASED COST AND ACCESSIBILITY OF HIGHER EDUCATION

CITED BY

senior executives: **62%**

CYBER SECURITY CHALLENGES

CITED BY



2 out of **3**
senior executives



7 out of **10**
accountants

Key findings: medium term

In the region, the most significant driver, that is, the one expected to have the greatest impact in the medium term, 2016 to 2022, is the increasing importance of the accountant as a business partner and the need for accountants to have a broader skill set. This is not surprising. Owing to the sheer breadth of expected economic, commercial and regulatory challenges and changes, the CFO and the accountancy function will play an increasingly central role in business. Three particular aspects of this enlarged remit were emphasised: accountants' enhanced strategic responsibility; the broadening of audit and compliance; and the importance of an assessment of total sustainability.

'Change the way accounting is viewed. Accountants becoming a more integral part of the decision-making process'

The impact of the emergence of the BRIC economies (Brazil, Russia, India and China) on businesses in other parts of the world ranked second. As the global economy re-balances, traditional markets and zones of economic and political power are experiencing considerable turbulence, while new

TOP THREE DRIVERS (MEDIUM TERM, 4–10 YEARS)



centres of influence are emerging. The BRIC economies are becoming increasingly important as markets in their own right and as sources of future competition for the traditionally dominant economies. These nations, and India and China in particular, represent the fastest growing of the world's emerging large economies.

The requirement for businesses to provide increased non-financial information and the

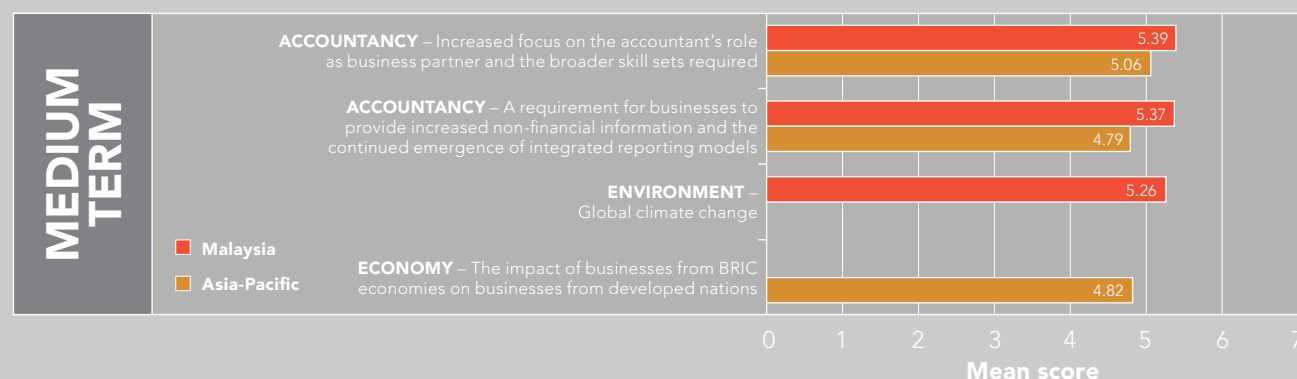
continued emergence of integrated reporting models is the third critical driver in the medium term. Non-financial information is increasingly recognised as being as important as financial information as a driver of business value and risk. Also, in response to demands for a holistic picture of organisational health, models of integrated reporting are being increasingly adopted.

Differences in Malaysia, China and Hong Kong

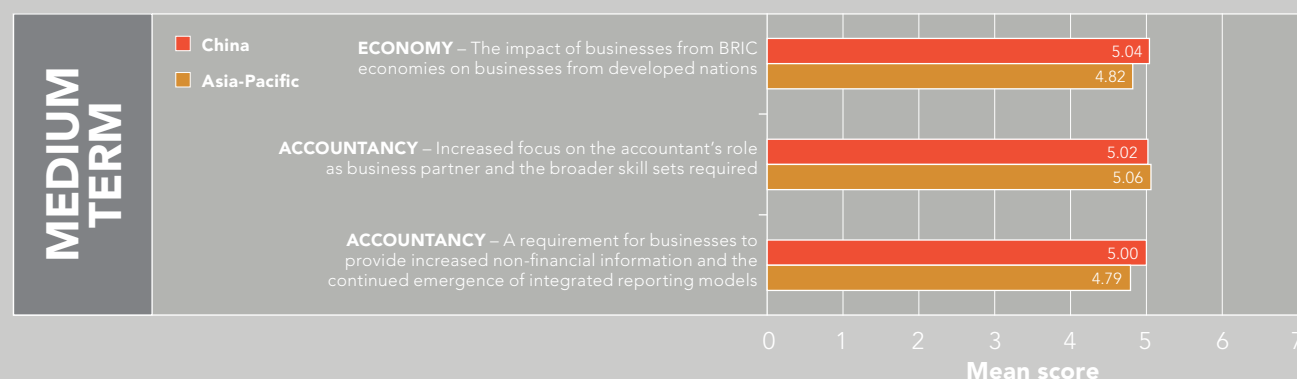
Respondents from Malaysia rated both the increasing importance of the role of accountants and the requirement for businesses to provide non-financial information as the top two drivers of change in the medium term. Malaysian respondents rated these two drivers higher than otherwise reported across the region. In addition, Malaysian respondents identified climate change as the third critical driver in the medium term.

Respondents based in China and Hong Kong, on the other hand, placed more importance on the impact of businesses based in BRIC economies, in particular Brazil and Russia, as their critical driver in the medium term. This is not surprising as in 2012 Brazil has overtaken the UK to become the sixth-largest economy, globally, in GDP terms.

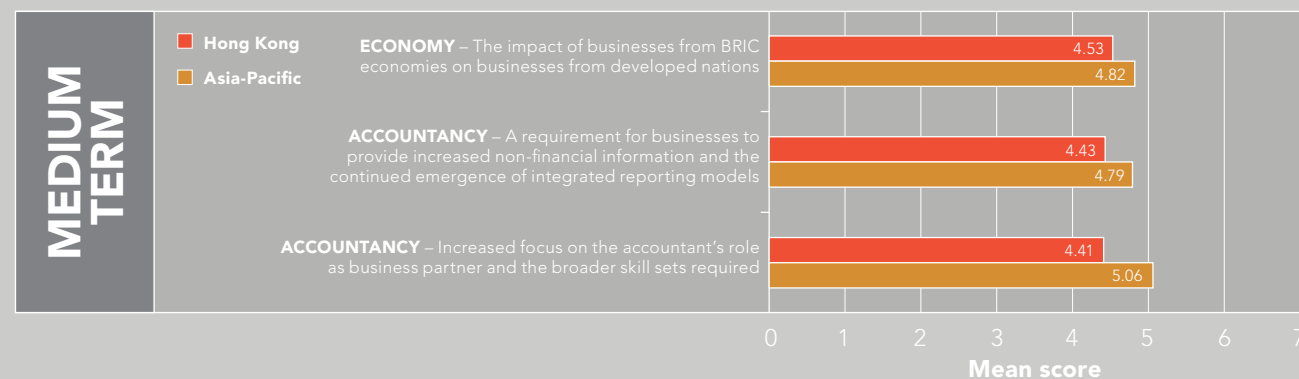
TOP THREE DRIVERS: MALAYSIA COMPARED WITH THE ASIA-PACIFIC REGION AS A WHOLE



TOP THREE DRIVERS: CHINA COMPARED WITH THE ASIA-PACIFIC REGION AS A WHOLE



TOP THREE DRIVERS: HONG KONG COMPARED WITH THE ASIA-PACIFIC REGION AS A WHOLE



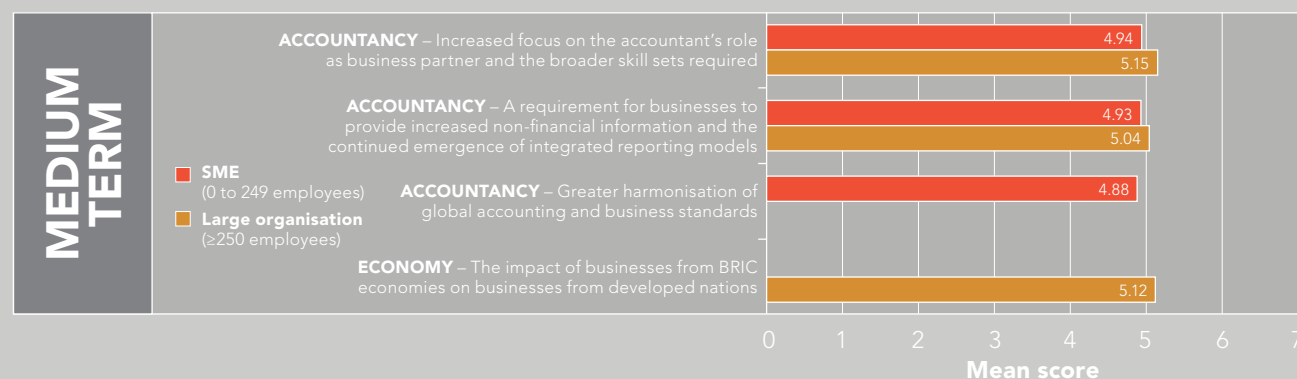
Analysis: by size and sector

Large organisations and SMEs both highlighted the increased role of accountants and the requirement for businesses to provide more non-financial information in the medium term.

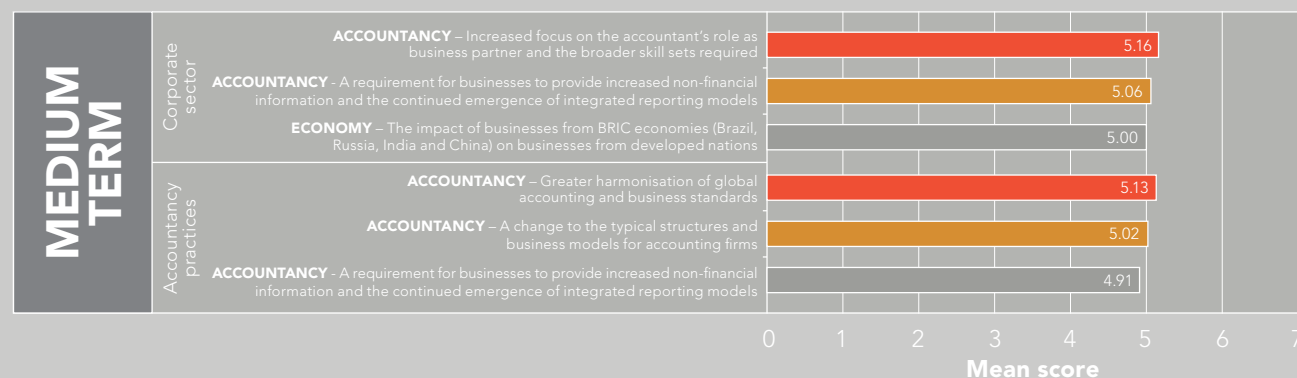
Larger companies, however, identified the increasing role of BRIC economies while SMEs gave more importance to the move toward greater harmonisation of accounting and business standards.

Accountancy practices and the corporate sector (including financial services) share similarities in rating the requirement for businesses to provide increased non-financial information as a driver in the medium term. Accountancy practices, however, cited the greater harmonisation of standards and the change of traditional business models of accountancy firms while the corporate sector gave more importance to the increasing role of accountants and the impact of BRIC economies as the critical drivers in the medium term.

TOP THREE DRIVERS: BY SIZE OF ORGANISATION



TOP THREE DRIVERS: ACCOUNTANCY PRACTICES* COMPARED WITH THE CORPORATE SECTOR

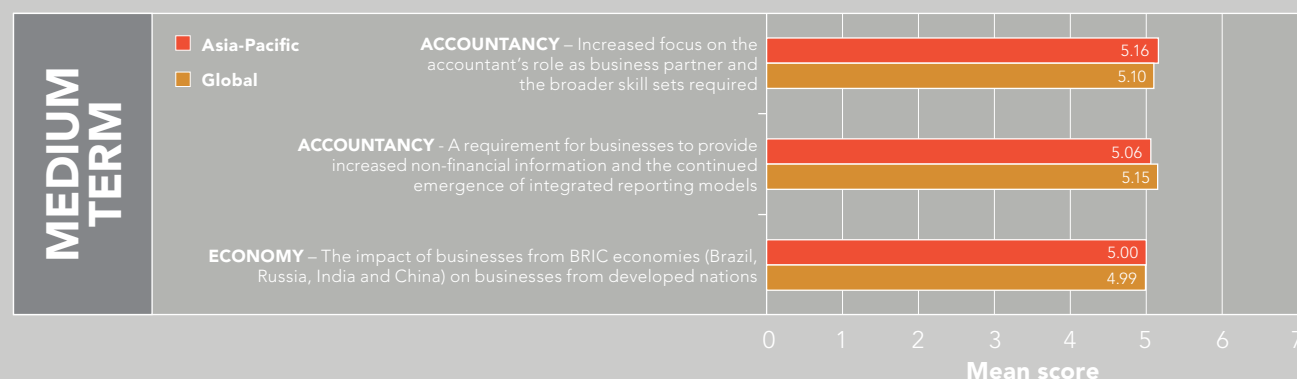


*Asia-Pacific accountancy practices figures are based on a small sample size

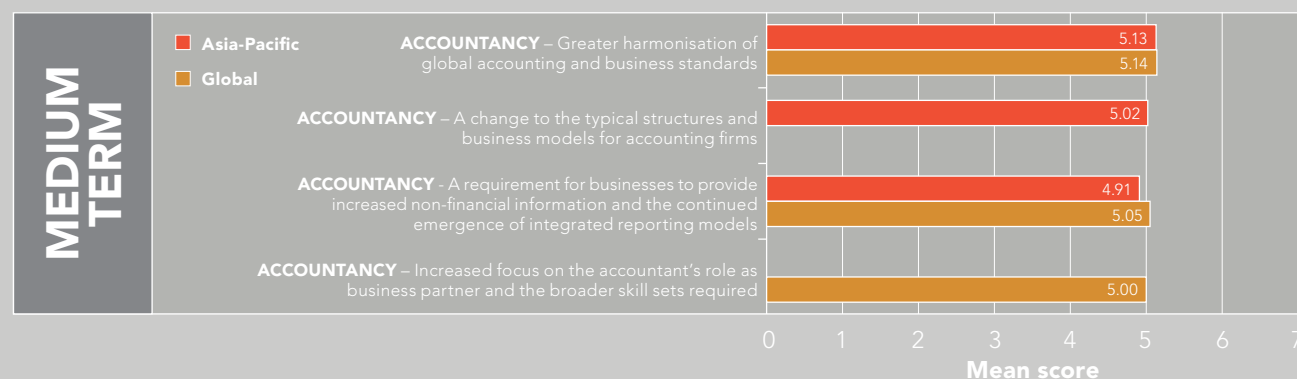
Compared with accountancy practices worldwide, those based in the region are more likely to believe that the change in traditional business models of accountancy firms will be a critical driver in the medium term. For the accountancy sector there is a twin challenge. Clearly, a first priority is keeping pace with the speed of change to help clients navigate their own reinvention. At the same time, accountancy firms must manage their own transformation to respond to client needs. Such changes may involve the redesign of core processes, developing new thinking and experimenting with new business models to drive growth. In addition, firms will need to evolve both the structures and a talent pool that will enable continuous and rapid adaptation to the external environment.

Asia-Pacific corporate sector respondents highlighted the same three medium-term drivers reported on a global level.

TOP THREE DRIVERS: COMPARISON OF ASIA-PACIFIC AND GLOBAL CORPORATE SECTORS



TOP THREE DRIVERS: COMPARISON OF ASIA-PACIFIC AND GLOBAL ACCOUNTANCY PRACTICES*



*Asia-Pacific accountancy practices figures are based on a small sample size

Analysis: by role of respondents

‘Finance teams must analyse the business and provide meaningful information and data to management for decision making (be a Business Partner). It’s about much more than closing the books & recording financials.’

INCREASED FOCUS ON THE ACCOUNTANT’S ROLE AS BUSINESS PARTNER AND THE BROADER SKILL SETS REQUIRED

CITED BY

senior executives: **82%**

accountants: **72%**

A REQUIREMENT FOR BUSINESSES TO PROVIDE INCREASED NON-FINANCIAL INFORMATION AND THE CONTINUED EMERGENCE OF INTEGRATED REPORTING MODELS

CITED BY



3 out of **4**
senior executives



2 out of **3**
accountants

Key findings: long term

The drivers expected to have the greatest impact on businesses and the accountancy profession from 2023 onwards, as reported by Asia-Pacific-based respondents, relate to changes in the current roles of currencies, with the position of the US dollar as the global reserve currency being questioned. An example of this is Bitcoin, a peer-to-peer digital currency that is traded online without the need to be exchanged through a financial institution.

The third most critical long-term driver is the changing societal expectations and the evolving scope and nature of what is considered accounting and the role of the accountant.

TOP THREE DRIVERS (LONG TERM, 10+ YEARS)



Differences in Malaysia, China and Hong Kong

This section considers and compares the top three drivers in the long term in Malaysia, China and Hong Kong.

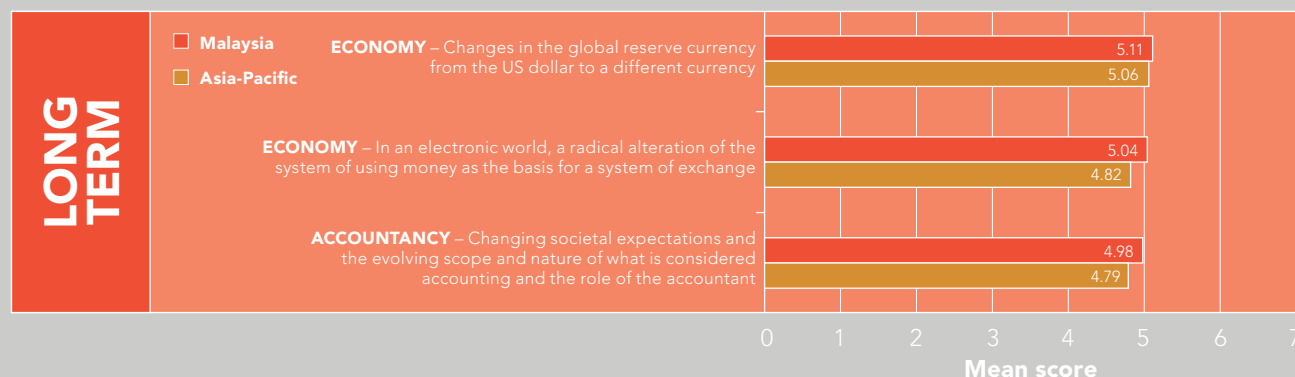
Overall, respondents based in Hong Kong and Malaysia highlighted the same top three drivers as respondents globally. In China, on the other hand, they placed more importance on the rise in the use of carbon taxes and other environmental mechanisms.

There is no doubt that China has become a major driver of global growth; its path to achieving sustainability is crucial not just for the Chinese people but for the rest of the world and this issue is currently being addressed by the Chinese government through policies that are intended to 'green' the currently fossil-fuel-based economy through a series of decarbonisation, energy-efficiency and water-saving policies, as well as encouraging Chinese companies, especially state-owned enterprises under government control, to improve sustainability practices.¹

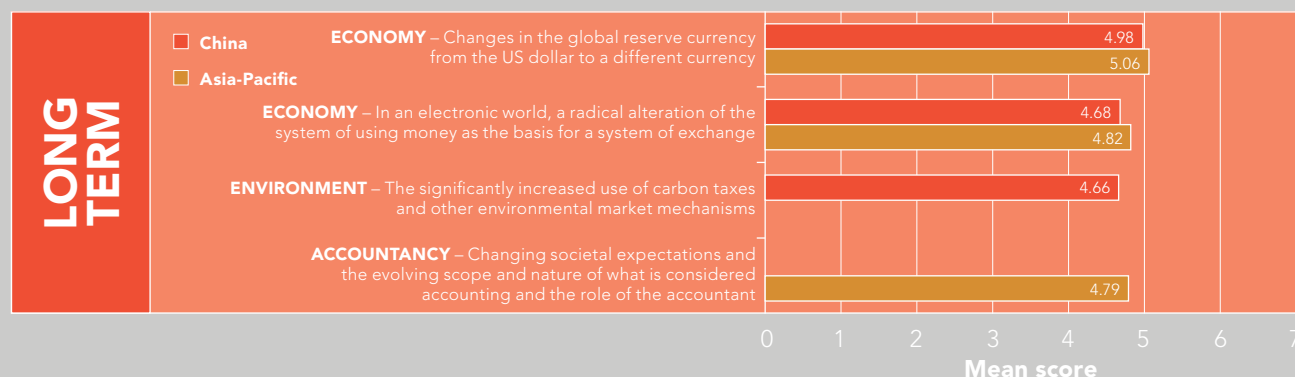
'Look at sustainable natural energy resources due to increasing cost of fuel'

¹ The green economy: pushes and pulls on corporate china
<http://www.accaglobal.com/content/dam/acca/global/PDF-technical/sustainability-reporting/tech-afb-papocc.pdf>

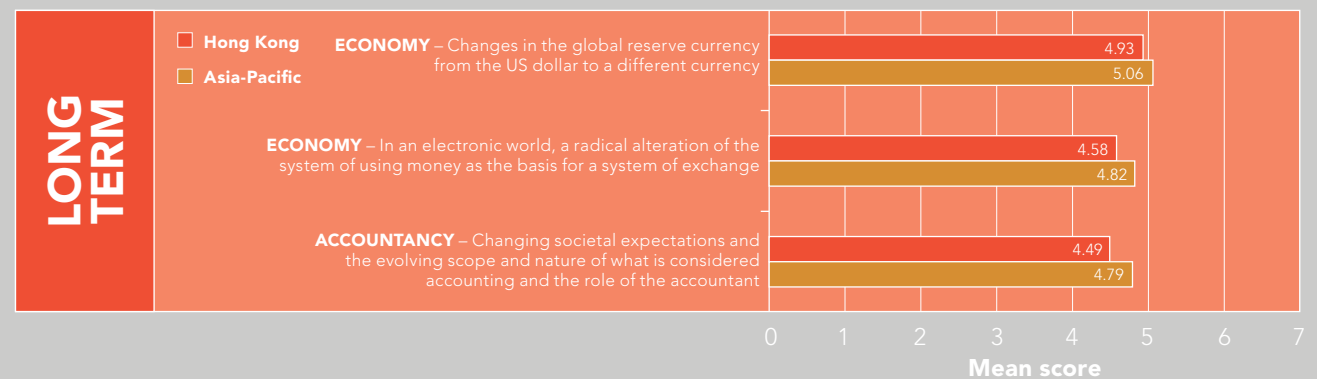
TOP THREE DRIVERS: MALAYSIA COMPARED WITH THE ASIA-PACIFIC REGION AS A WHOLE



TOP THREE DRIVERS: CHINA COMPARED WITH THE ASIA-PACIFIC REGION AS A WHOLE



TOP THREE DRIVERS: HONG KONG COMPARED WITH THE ASIA-PACIFIC REGION AS A WHOLE



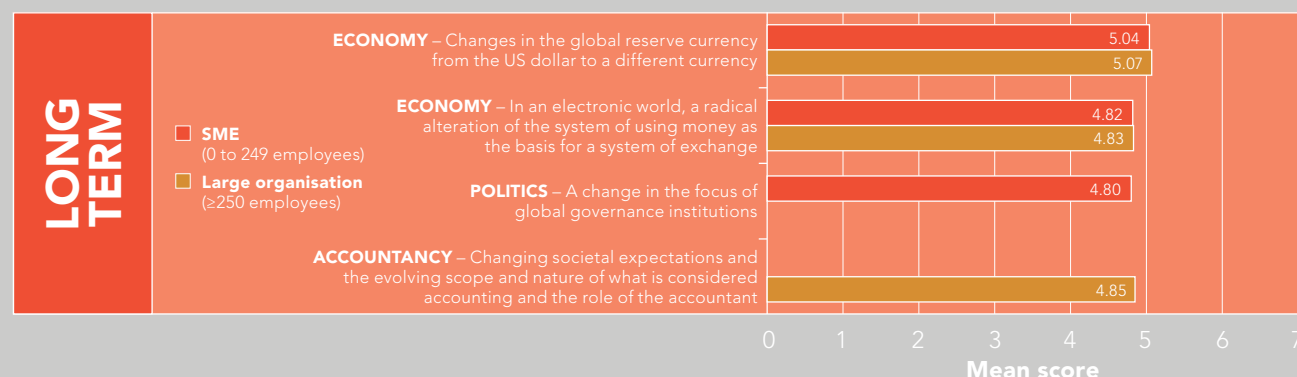
Analysis: by size and sector

The potential change in the global reserve currency and the potential alteration of commonly accepted means of exchange are the top two drivers in the long term irrespective of the size of the organisation, but the choice of third critical driver varied.

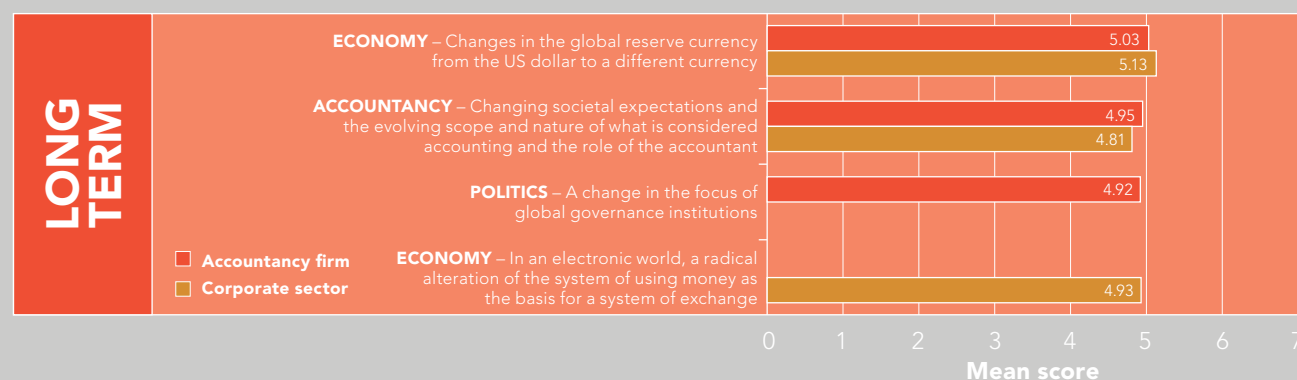
SMEs in the region cited the change in the focus of global governance institutions as the third critical driver while large organisations placed more importance on the changing and evolving role of the accountancy profession, which was also reported globally as the third critical driver.

Accountancy practices and the corporate sector rated the changes in global reserve currencies, changing societal expectations, and the evolving scope and nature of what accountancy is considered to be and the role of the accountant to be the top two critical factors in the long term.

TOP THREE DRIVERS: BY SIZE OF ORGANISATION

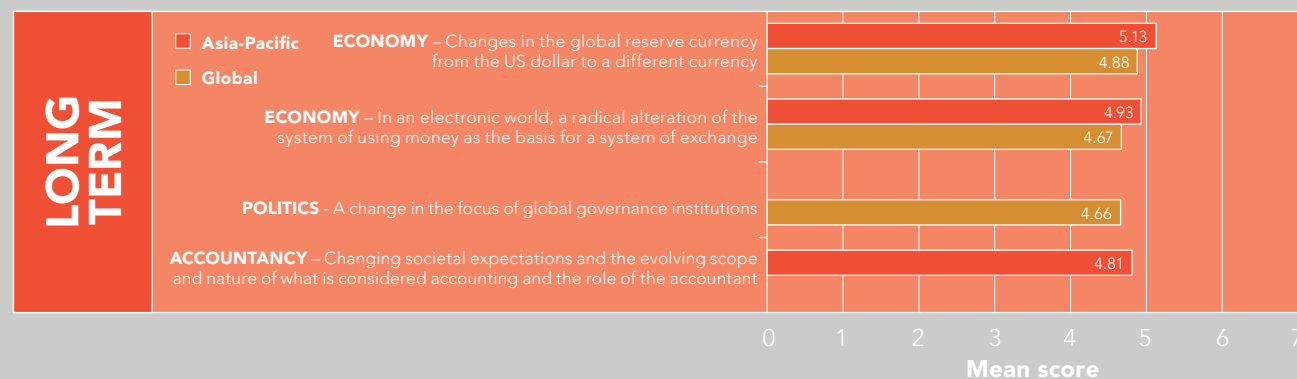


TOP THREE DRIVERS: ACCOUNTANCY PRACTICES* COMPARED WITH THE CORPORATE SECTOR

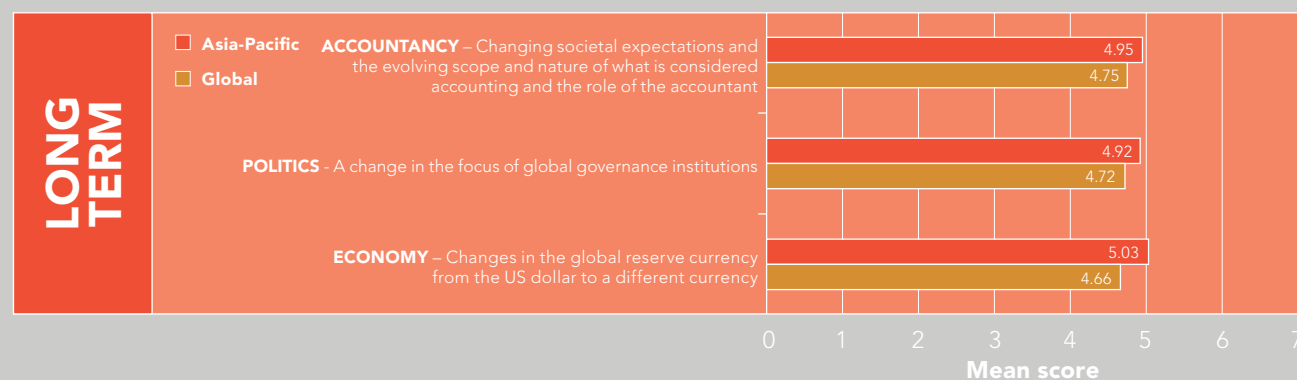


*Asia-Pacific accountancy practices figures are based on a small sample size

TOP THREE DRIVERS: COMPARISON OF ASIA-PACIFIC AND GLOBAL CORPORATE SECTORS



TOP THREE DRIVERS: COMPARISON OF ASIA-PACIFIC AND GLOBAL ACCOUNTANCY PRACTICES*



*Asia-Pacific accountancy practices figures are based on a small sample size

Analysis: by role of respondents

In Asia-Pacific, accountants and senior executives shared very similar opinions about the drivers that will have the most impact on business and the accountancy profession from 2023 onwards.

Accountants and senior executives agreed that changes in the global reserve currency and a radical alteration of the system of using money are two of the most important drivers in the long term. Accountants placed greater emphasis on the change in the choice of global business languages, whereas senior executives gave priority to a change in the focus of global governance institutions.

CHANGES IN THE GLOBAL RESERVE CURRENCY FROM THE US DOLLAR TO A DIFFERENT CURRENCY (EG THE EURO OR YUAN)

CITED BY

senior executives: **68%**
accountants: **70%**

A CHANGE IN THE FOCUS OF GLOBAL GOVERNANCE INSTITUTIONS – VIA EITHER INCREASING INFLUENCE WIELDED BY EMERGING GLOBAL POWERS, OR AN INCREASE IN THE NUMBER OF REGIONAL INSTITUTIONS

CITED BY

senior executives: **64%**

IN AN ELECTRONIC WORLD, A RADICAL CHANGE AWAY FROM CONVENTIONAL MONEY AS THE BASIS FOR A SYSTEM OF EXCHANGE

CITED BY



3 out of **5**
senior executives
and accountants

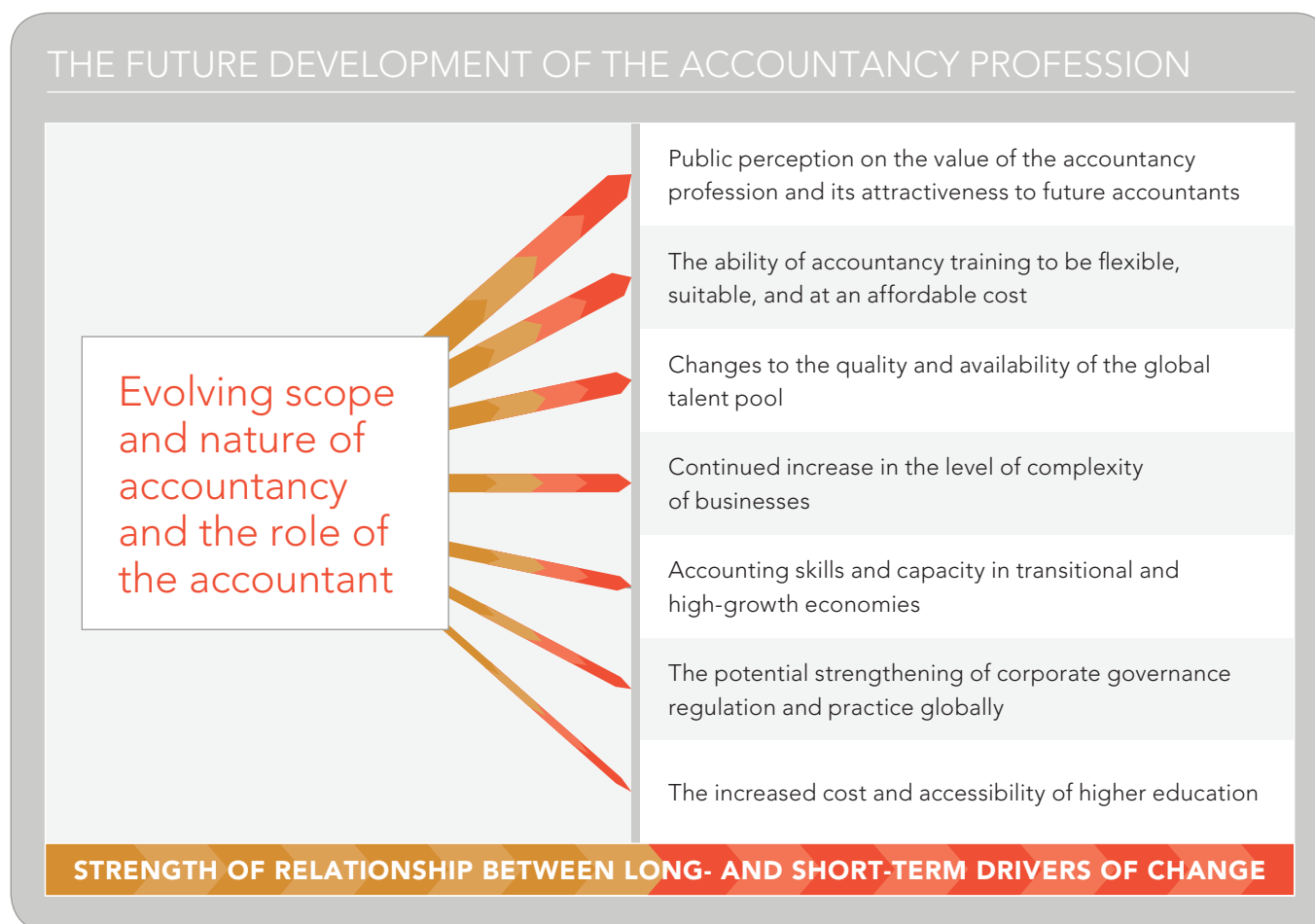
Drivers and how they relate to each other

This section of the report looks at the relationship between the short and long-term drivers.

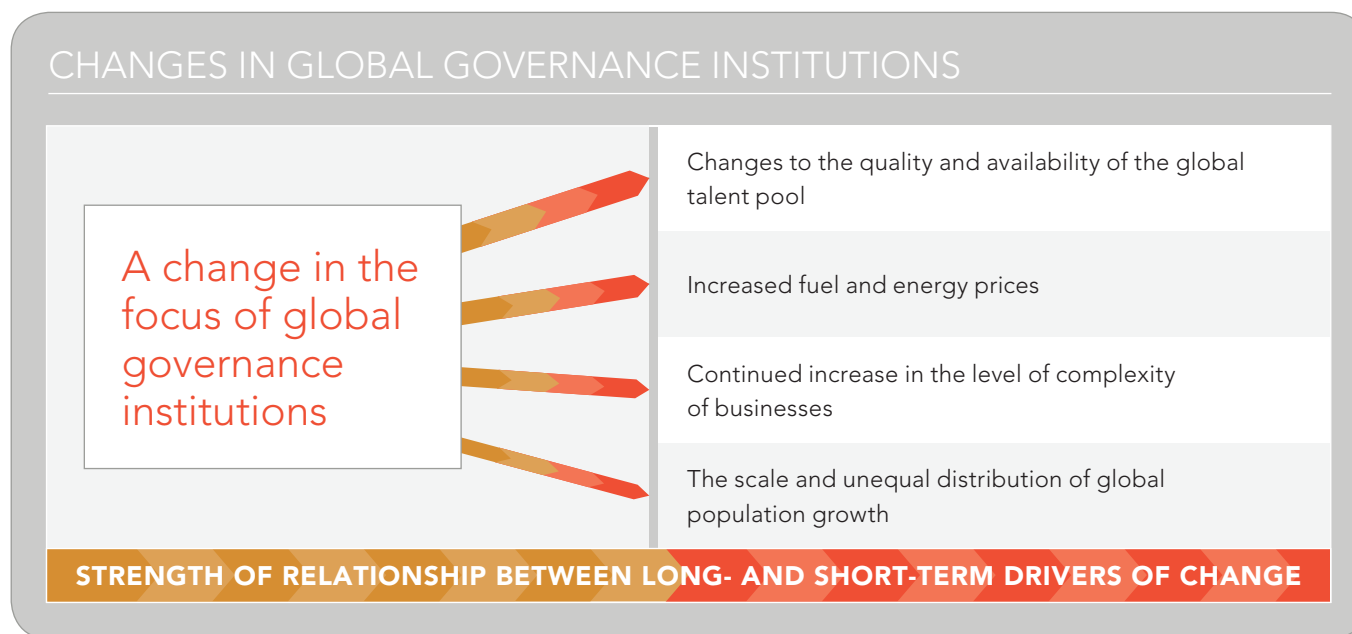
First, analysis was conducted to gauge whether, on the basis of respondents' views, a relationship exists between short-term and long-term drivers. Once this relationship was established, its strength was then determined by connecting the short-term and long-term scores.

There are a number of apparent areas of correlation between short-term and long-term drivers of change cited by members in the Asia-Pacific region. There were three in total.

The strongest correlation exists between what respondents cited as the key short-term and long-term drivers of change: changing societal expectations and the evolving scope and nature of what accountancy is considered to be, and the role of the accountant.



In addition, the second most significant degree of correlation is seen between the long-term expectation of a change in the focus of global governance institutions – through either increasing influence wielded by emerging global powers, or an increase in the number of regional institutions – and the drivers shown opposite in the short term:



Five imperatives for the accountancy profession

1

EMBRACE AN ENLARGED STRATEGIC AND COMMERCIAL ROLE

Opportunities are emerging for accountants to assume a far greater organisational remit. The potential exists to leverage the capabilities of the accountant across all aspects of corporate decision making from strategy formulation through to defining new business models.

2

ESTABLISH TRUST AND ETHICAL LEADERSHIP

The profession needs to be seen to be addressing clear public concerns. There is a perception that it could do more to highlight and prevent everything from small-scale financial irregularities through to the major systemic failures that helped cause the global financial crisis and ensuing economic uncertainty.

3

FOCUS ON A HOLISTIC VIEW OF COMPLEXITY, RISK AND PERFORMANCE

There is growing consensus on the need for reporting to provide a holistic perspective of a business and that this perspective must acknowledge the complexity of modern business and encompass financial and non-financial indicators of a firm's financial status and potential.

4

DEVELOP A GLOBAL ORIENTATION

The pace of global expansion of firms from developed and developing markets alike is emphasising the need for accounting and finance professionals to master the technical, language and cultural challenges of cross-border operations.

5

REINVENT THE TALENT POOL

The diverse range of demands and impacts on the profession is forcing a rethink of everything from training and development through to the type of people being recruited.

Five imperatives for business

1

ASSUME AND PLAN FOR VOLATILITY

With uncertainty as the new normal, businesses have to factor in turbulence as a very real possibility and develop strategies for a range of different economic and market scenarios.

2

BUILD THE RADAR

Systematic, organisation-wide approaches are required for scanning the future external environment. Preparing for a wide range of possibilities, tolerance of uncertainty, curiosity and 'seeing round corners' are becoming critical development priorities for managers and leaders alike.

3

PURSUE TECHNOLOGY LEADERSHIP

The pace and disruptive potential of information and communications technology (ICT) development has placed technology at the heart of strategy and operations of businesses of almost every size. New mindsets and approaches to technology management are required to exploit and extract full value from the next decade of advances.

4

PREPARE FOR TRUE GLOBALISATION

Development of a truly global operating model is becoming a priority. A clear emphasis is required on leveraging technology effectively. Equally important is developing the capability of management to work with, adapt to and get the best out of a multi-location, multi-cultural and age-diverse workforce.

5

DEVELOP A CURIOUS, EXPERIMENTAL AND ADAPTABLE MINDSET

A critical success factor in an increasingly complex and fast-changing environment is building a 'curious' culture. This implies nurturing an environment that is open to external ideas and in which participants are encouraged to forge a network of strong working relationships across the entire business ecosystem.

Methodology

This report presents mean scores because they help to provide one single result for a scale question that is representative of all the scores assigned by all the respondents, which is calculated by giving an average of those scores. This helps to give a quick understanding of the general opinion across a whole group, while still taking the full results into account. It also can help to make a clear distinction between the results of a large number of scale ratings, and that single score per rating then enables a ranking to be calculated that is based on highest rated first.

The mean scores are based on base sizes of at least 40 responses used in market research (which aims toward a 90% confidence level). When 'low base size' is indicated, this means the proportion

answering the question of all who could have answered is low, and hence the results have a wider margin of error. They are at lower level of statistical reliability than the generally high standard used in reporting market research results where there are at least 40 responses.

Where percentages are reported these are based on the top three drivers that have been identified, which are then analysed by respondents' job roles. The figures express the percentage of respondents by job role saying they expect a particular driver is going to have an impact.

Correlation

By looking at how individuals who answered a specific question in a certain way then answer

another question, patterns can be established that can provide a better understanding of trends and relations in respondents' sets of beliefs, and correlations can be identified.

Pearson's correlation coefficient was used to look for apparent correlations between what respondents believe are key short-term and long-term drivers of change. This helped in determining how issues that respondents believe are likely to have the most effect in the near future relate to what they believe are likely to be particular concerns later on.

About the author



Faye Chua is ACCA's head of future research and leads its global research and insights programme that focuses on the future directions of business and the accountancy profession across a range of subjects. She has over 10 years of experience in research across different sectors of the economy and has worked in North America, Asia-Pacific and Europe.

About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies in all stages of development. We aim to develop capacity in the profession and encourage the adoption of global standards. Our values are aligned to the needs of employers in all sectors and

we ensure that, through our qualifications, we prepare accountants for business. We seek to open up the profession to people of all backgrounds and remove artificial barriers, innovating our qualifications and their delivery to meet the diverse needs of trainee professionals and their employers.

We support our 147,000 members and 424,000 students in 170 countries, helping them to develop successful careers in accounting and business, with the skills needed by employers. We work through a network of 83 offices and centres and more than 8,500 Approved Employers worldwide, who provide high standards of employee learning and development.

About IMA®

IMA® (Institute of Management Accountants), the association for accountants and financial professionals in business, is one of the largest and most respected associations focused exclusively on advancing the management accounting profession. Globally, IMA supports the profession through research, the CMA® (Certified Management Accountant) programme,

continuing education, networking, and advocacy of the highest ethical business practices. IMA has a global network of more than 60,000 members in 120 countries and 200 local chapter communities. IMA provides localised services through its offices in Montvale, N.J., USA; Zurich, Switzerland; Dubai, UAE; and Beijing, China.

The Accountancy Futures Academy

The Accountancy Futures Academy contributes to ACCA's programme of research and insights with powerful visions of the future. It provides a platform to look forward, to tune into the emerging trends and discussions in the global business and policy spheres and the latest reforms facing the world of finance.

By looking to the future it helps the profession stay at the cutting edge. The Academy's work fosters fresh thinking and innovative discussions, identifies the barriers to and facilitators of tomorrow's successes, and identifies the potential strategies that will enable business and finance to navigate the choppy waters that lie ahead.

The information contained in this publication is provided for general purposes only. While every effort has been made to ensure that the information is accurate and up to date at the time of going to press, ACCA accepts no responsibility for any loss which may arise from information contained in this publication. No part of this publication may be reproduced, in any format, without prior written permission of ACCA. © ACCA February 2013.