

# Exclusive Interview



International  
Federation  
of Accountants

**Mr. Alan Johnson**

President  
International Federation  
of Accountants (IFAC)



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**ICMA:** What do you think are the key major challenges for the accounting profession worldwide?

**Alan Johnson:** Climate change is the most urgent challenge to society. Our profession needs to do all that we can to keep global warming below the 1.5 degree Celsius threshold, adapt to any unavoidable negative impacts, and support long-term planning for a truly sustainable future.

Sustainability will raise the demand for skills and expertise in sustainability information; we need to be ready to seize the opportunity. Requirements for sustainability disclosures are widespread, and before long, they will be everywhere. In addition, the assurance of sustainability information has emerged as an important complementary issue. To help ensure that sustainability assurance builds trust and instills confidence, our profession should embrace this emerging opportunity. We can be sure that if we do not, someone else will.

IFAC advocated strongly throughout 2020 and 2021 for the creation of the International Sustainability Standards Board

(ISSB). With the ISSB is up and running, the global accountancy profession needs to stay engaged and support its initial pronouncements.

Public finances were already under a great deal of pressure from the COVID pandemic. Now, inflation and supply chain issues are emerging as obstacles to the much-needed economic revival. Our profession must help where we can. Good governance, including public financial management, requires that governments make plans and set priorities and expenditures based not on last year's problems, but instead on where public spending will be needed for sustainable recovery.

Strengthening the ecosystem of corporate governance, in collaboration with all members of the ecosystem, will remain an important part of our agenda. So too will our profession's ability to attract and retain talent among the next generation. They are our future.

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**ICMA:** In the post-COVID-19 era, high inflation and supply chain challenges have posed serious threats to major economies, including Pakistan. How can professional accountants tackle these issues?

**Alan Johnson:** Professional accountants are at the center of addressing these challenges in many ways, including their roles in profitability management, supply chain resilience, and – given changes in the cost of borrowing – financing and investment.

Professional accountants can enable the organizations they serve to continue creating and protecting value. These efforts will require us to lead in connecting different parts of organizations and leveraging our strengths in the four key areas.

- 1) **Understanding and keeping track of market dynamics** - This means leveraging external data for planning and forecasting and supporting strategic and operational decisions. Relevant third-party and external data can enhance an organization's understanding of demand and supply-side fundamentals. Such information will help the finance function to calculate present and future costs.
- 2) **Relationship management and collaboration** - Professional accountants should build relationships with relevant teams and external stakeholders. These sources can provide actionable information and tools relevant to many aspects of a business, including sales data, procurement, and a breaking down of siloes between pricing and procurement functions.
- 3) **Managing the impact of volatility** - Financial performance forecasting and analysis provide insights into the connections between financial performance drivers and critical value drivers. This information is a critical input for good decision-making and discussions with customers and suppliers. In an uncertain world, it is necessary to increase the frequency of forecasting to boards and management to provide timely visibility and insights. The speed at which cost changes and price adjustments can be made is critical to making the best decisions and responding to market changes.

- 4) **Procurement and supply chain challenges and reconfiguration** - Organizations need to enable procurement and supply chain teams to make targeted changes to procurement processes and supply chains, strategic priorities for supply chain management and alternative sources of supply, review existing contracts, and make appropriate operational and capital expenditure decisions.

**ICMA:** How do you see the role of Management Accountants in building the value inside businesses as well as in the growth of the national economies?

**Alan Johnson:** Sustainable value creation will not be achieved unless organizations work towards sustainable business practices, products, and services. Management accountants have an enormous role in positioning their organizations for success.

IFAC recently issued a call-to-action titled *Championing an Integrated Mindset: Driving Sustainable Value Creation*. In it, we encourage organizations to adopt and apply an integrated mindset.

Applying an integrated mindset involves breaking down corporate information siloes and gathering and analyzing information about material sustainability impacts and dependencies. It involves understanding how these factors relate to an organization's risks and opportunities; strategy and business model; and financial position and performance. It involves the development of systems to generate good data, along with well-informed decision-making by senior management, thorough oversight by boards, robust integrated corporate reporting, and ultimately assurance.

The professional accountants' skillset, ethics, and business acumen will be critical in achieving an integrated mindset. This central role allows us to influence the decisions companies must make to accelerate sustainable transitions, efficiently allocate capital and achieve the Sustainable Development Goals.

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**ICMA:** Would you like to highlight a few key emerging roles of CMAs and how they can prepare themselves to assume the new role confidently and deliver according to the present needs?

**Alan Johnson:** As CFOs, management accountants lead organizations strategically and are involved in major initiatives to drive change and growth. They do so in the context of stakeholder expectations and market changes which is a fast-changing environment. Management accountants will find that roles in the finance function or as business advisors offer varied and exciting career pathways.

As navigators and value partners, management accountants are responsible for steering organizations toward value creation and sustained profitability by providing decision-relevant and actionable insights. As stewards, they safeguard an organization's reputation and protect value through effective governance and control -- and they safeguard critical financial and non-financial assets and data. They also ensure that decisions are based on sound financial and sustainability criteria, and promote key values such as integrity.

Management accountants also will be central in deploying technology to enable digital finance and business operating models. This involves enabling a data-driven culture with a focus on data governance, modeling, and analytics. To drive value through digitalization plays into the management accountant's expertise in processes and controls. In the digital world, processes within and beyond finance need to be reconfigured to drive efficiency and greater value to stakeholders.

Being a trusted professional means calling on our fundamental ethical principles to ensure responsible business practices and build trust. Our ethical core, defined by the International Code of Ethics for Professional Accountants, is what allows us to call ourselves “professional accountants.”

I would add that this increasingly diverse array of roles is likely to make the accountancy profession more attractive

to the next generation. And, it will provide us a platform to deliver greater value to customers and society.

**ICMA:** The onset of Artificial Intelligence (AI) is seen both as a challenge and an opportunity for financial professionals. What is your viewpoint? How IFAC is creating awareness about it among its members?

**Alan Johnson:** Artificial intelligence (AI) is one of several emerging technologies that pose technical challenges as well as new ethical questions. These technologies probably will create significant value in business, public service delivery, and more. But we need to exercise caution and continue acting from our ethical principles.

The IESBA recently published a very useful brief on the ethical implications of AI. Technological innovations, including AI, can enhance the scope, efficiency, and effectiveness of the work of accountants. But these technologies will also create new challenges in unfamiliar technical settings. Our profession needs to anticipate these challenges to ensure we respond in the public interest, as required by the IESBA Code.

Accountants will need to apply an enquiring mind to keep pace. A management accountant likely will have questions about, for example, their organization's new AI-assisted computer software. They might ask how the AI system works, the nature of the activities it performs, and whether it has been appropriately tested and evaluated for the purpose it will serve in the organization. And it is extremely important that we do ask these questions and all others that might arise.

Accountants also need to stay aware of biases that might affect their professional judgment in working with AI. Automation can lead an individual to favor the output of automated systems even when contradictory information raises questions as to whether such outputs are reliable or fit for purpose.

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**ICMA:** IFAC can extend technical support to ICMA to educate the Pakistani professional accountants on their role in the public and economic interest, such as fighting corruption and money laundering (AML/CFT). What do you say in this regard?

**Alan Johnson:** Our profession has an important role to play.

The consequences of corruption are significant and widespread. The financial cost to individuals and society is staggering, on the order of trillions of dollars every year. Corruption also encourages further criminal behavior and undermines trust in institutions. Not only does corruption have a high financial cost, but the cost to societies is significant.

Accountants everywhere play a critical role in the fight against corruption. We bring essential transparency, relevance, and integrity to the systems that underpin vibrant economies, and we can help make corruption less profitable and easier to prevent, detect and remedy. We are uniquely placed, both from within organizations and as outside advisors, to advance the public interest. Perhaps even most importantly, we can also support an ecosystem of other actors and of policy at the global and domestic levels.

IFAC's advocacy in this space reflects our strongly-held belief that serving the public interest by fighting corruption is central to the accountancy profession's activities. Later this year IFAC will produce a comprehensive strategy for fighting corruption and related economic crimes, in which we will provide a framework and a roadmap for how we can advance these goals.

**ICMA:** Would you like to give some valuable advice to the members and students of ICMA on what capabilities and skills they must develop to excel in their professional life?

**Alan Johnson:** Careers in accountancy are evolving, and professional accountants working in business, public sector

and commercial facing roles are having to contribute much more strategically to their organizations than ever before. To be able to do so effectively requires the right blend of technical, business (and sector-specific), and soft skills (interpersonal and behavioral). In the current environment, there is a high demand for skills that will enable value creation for organizations, customers, and other stakeholders. These include:

- Higher level cognitive skills (ability to solve complex problems with strategic, innovative, and critical thinking to evaluate and make decisions)
- Collaboration, relationship building, influencing and communication skills
- Leadership skills (leading people, leading change, and developing organization capabilities)
- Digital and data skills such as data analysis, data management, and digital security

Desired skills are a moving target; therefore, accountants must continuously learn and have the ability to gain new capabilities quickly. This applies across all career stages. And we must not forget that strong ethical behavior is the foundation of our profession and we must ensure we never lose this.

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There is a proliferation of choices for continuing professional development (CPD), and professional accountants will need to understand their own training needs and navigate their options -- for example, through competency and career frameworks. It is important to balance learning between formal, structured education and informal learning, such as on-the-job training, mentoring, and coaching. With five generations side-by-side in the workplace, there are many opportunities to learn from others' experiences.

*The Editorial Board thanks Mr. Alan Johnson, President, International Federation of Accountants (IFAC) for giving his exclusive interview for Chartered Management Accountant Journal.*