

# GLOBALIZATION AND ITS EFFECTS ON ACCOUNTANTS

Kesvin Choo Ko Seng

*“Globalization has changed us into a company that searches the world, not just to sell or to source, but to find intellectual capital– the world's best talents and greatest ideas.”*

Jack Welch

## Introduction

This statement, quoted by Jack Welch, roughly summarizes the happenings around us in our world today. Globalization, a process already fast assimilating itself into most parts of the globe, has almost made the world a borderless one that brings with it many new benefits. Interaction between countries has never been closer; trade between nations has never been busier; flow of capital between developing countries and developed ones has never been healthier and the use of technology has never been superior. This international integration has brought about many changes in one's life, in every part of the world, including that of an accountant. However, one may ask what are the effects that globalization could have brought upon an accountant's daily life? Or maybe, do they really make any difference for an accountant? If yes, how? In this paper, we will tackle the issues that are mentioned above to reveal exactly what effects globalization has had on accountants.

Before entering into the main discussion though, we will briefly discuss how globalization has had an impact on accountants. The linkage here is brought about by the move towards convergence in the accounting world as the world embraces globalization. Hence, with convergence occurring, the accounting standards around the world have started to focus on a common point. In Malaysia itself, we can observe that in tandem with the wake of convergence, the Malaysian Accounting Standards Board (MASB) has changed the entire accounting standards name from MASB to Financial Reporting Standard (FRS), to converge the national accounting standards with the international accounting standards. Next, our discussion on the effects of globalization on accountants will revolve around three main issues, which are competency and communication skills, mobility and global access.

## Competency and Communication Skills of an Accountant

We will first focus on the effects of globalization on accountants from the point of view of an accounting graduate student. As the forces of globalization prompt more and more countries to open their doors to foreign investment and as businesses expand across borders, the need for higher quality financial reporting standards has become more important. As a result, convergence is bound to happen, where all countries in the world will ultimately come to use the same standards. For instance, if it is the single set

standard that is being adopted by all the other countries in the world Malaysia will eventually completely adopt the International Financial Reporting Standards in order to avoid being the laggard. As such, by implementing a single international set of standards, an accounting graduate will automatically be competent enough but must practice the highest level of integrity to maintain and increase public confidence in financial reporting.

Thus, bearing in mind that the world is changing and the need to communicate with people all around the world, an accounting graduate must enhance his or her knowledge as well as their communication skills. Besides taking the initiative to brush up their fluency in the English language, an accounting graduate must also always be ethical in conducting his or her practice. In other words, he/she must now uphold the five high professional standards, which are International Financial Reporting Standard (IFRS), International Standard of Auditing (ISA), International Standard of Ethics (ISE), International Standard of Public Sector Accounting (ISPSA) and International Educational Standard (IES), like never before.

In addition, as the corporate sector expands its business across the globe and becomes larger and more complex by the day, accountant graduates should now at least have a basic and solid understanding of a reliable, comprehensive business model to better position themselves. This may be Michael Porter's value chain model (Porter, 1985) that can substantially empower its practitioner to analyze business circumstances and processes, identify needs of information services and is able to explain those needs.

Furthermore, as the demand on accountants is increasing rapidly in tandem with the growth of businesses across borders, an accounting graduate must not only compete with other accounting graduates from other countries, but also with other professions such as engineering graduates, law graduates and so forth. To overcome this, he/she ought to enhance one's current knowledge by attending training organized by professional bodies like MIA, MICPA, ACCA, which play integral roles in enhancing an accountant's competency. It should be noted that the qualification for membership of MIA has been revised to include compulsory requirements including achieving adequate hours for Continuous Professional Education (CPE).

Hence, these are the challenges faced by an accounting graduate in the wake of globalization.

### **Mobility**

With globalization and ultimately, convergence taking place in the accounting field, this has resulted in an increased mobility for accountants. This is due to the standardization of standards across the globe. Let us take a lawyer for example. A lawyer in Malaysia is usually only well-versed in Malaysian law and can only leverage fully on his knowledge in Malaysia. Whereas for an accountant, he/she can take his/her practice to anywhere in the world and still be internationally recognised.

Furthermore, with a global network of multinational clients and accounting firms an accountant can be transferred from one country to another at anytime to serve his/her expertise to the whole world. There is no need for any additional re-training to adapt to the standards. Consequently, an accountant will be able to gain more exposure and experience overseas. He/She will also be able to learn the working style of the many countries worldwide. In addition, other more obvious effects that come together with this mobility are higher pay for an accountant besides having the opportunity to expand their network everywhere.

However, not all is beneficial. This is because with higher mobility, comes also higher rates of competition from fellow accountants around the globe. Just as an accountant from Malaysia is able to take up another accountant's position in another country, the opposite is also true. Thus, he/she must ensure a consistent performance of excellence to avoid this.

As such, mobility in this globalized world spells both opportunities and competition for an accountant. So, it is up to an accountant to look at this positively to be able to gain the most out of it.

### **Global Access for Accountant as an Entrepreneur**

As an accountant, one must have the ability to cope with a diversified field of knowledge such as financial reporting, auditing, taxation, and investment. With this knowledge, globalization automatically presents the opportunity for an accountant to become a successful entrepreneur in this highly globalized world.

In Malaysia, one of the most obvious examples of an accountant becoming a successful entrepreneur is Dato' Anthony Francis Fernandes, who worked very briefly with Virgin Atlantic as an auditor and subsequently became the financial controller for Richard Branson's Virgin Records in London from 1987 to 1989. After involving himself in various fields, he finally left to pursue his dream of starting a budget no-frills airline. Today, he is the proud founder of AirAsia who introduced the first budget no-frills airline to Malaysians with the tagline "Now Everybody Can Fly."

With the force of globalization and as people started to travel all over the world, due the growth of businesses together with the consequent higher need for air transportation, Tony was able to see this phenomenon as a platform to expand the AirAsia market. For example, China, being one of the countries that has experienced the most benefits of globalization in its trade, has seen many investors interested in conducting their business there. This is due to China's lower cost of labour and large population. To leverage on this opportunity, Tony unveiled a five-year plan to enhance its presence in Asia by connecting all the existing cities in the region and expanding further into Indochina, Indonesia, Southern China and India. Hence, with increased frequency and the addition of new routes, AirAsia expects its passenger volume to hit 18 million by the end of 2007.

Hence, we believe that with the background and knowledge of accountancy, an accountant is able to be someone who can stand above the rest and take full advantage of the opportunities that globalization presents.

### **Conclusion**

In a nutshell, it is obvious that no one is able to escape from the effects of globalization; not even an accountant. Kofi Annan once said, “*It has been said that arguing against globalization is like arguing against the laws of gravity*”. As such, with so many effects that globalization has upon accountants, like the need for higher competency and communication skills, increased mobility and also improved global access, it is advisable that an accountant equips himself/herself with the many necessary tools and skills to gain from them. Instead of fighting against it, an accountant should instead embrace globalization and be a part of it.