

## Finding the Opportunities in IFRS

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**This essay is part of a series, *Controllers' Corner: Two-Minute Essays on Financial Management and Control*, which asks industry thought leaders for their opinions on critical issues facing today's finance organizations.**

*IFRS, the accounting framework used by most companies in the world today, is likely to be adopted soon in the U.S. Most companies will require a significant investment of time and resources to address the strategic, business and technology related issues that will arise in a conversion to IFRS.*

### **Q. What advice can you offer companies that need to plan and prepare for IFRS?**

At Hackett we have spoken with many different organizations about IFRS, and we've found a wide spectrum of views. The situation is somewhat analogous to Sarbanes Oxley (SOX). When SOX came along, there were some companies who said, "this is a regulatory fiat and nothing more than a tax on my business." But others said, "if we have to go through this, how can we use it to drive value?" We see a similar range of philosophies in addressing IFRS.

The organizations that we have talked to fall into three categories. One is the group of leading, forward-thinking companies who are looking for opportunities in the conversion to IFRS.



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These companies see IFRS as having the potential to do the following things. It can help with further consolidation of their statutory reporting into a global business services center. They believe that having a single, "universal language" will give them more flexibility from a talent management perspective. They will be able to move resources across geographies—either physically move people, or shift roles and responsibilities.

They are also looking at the impact of IFRS on their general ledger strategy, particularly organizations that might be going through a conversion or consolidation of their existing finance system platform. There are opportunities for efficiency in combining those changes with the switch to IFRS. Finally, there are the obvious cost aspects of a conversion to IFRS. When is the right time to begin planning for this, and at what level? Those are the

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possibilities that leading organizations are talking to us about.

On the other end of the spectrum are companies who say, “IFRS is not going to have a major impact. There is uncertainty about when it will be required, and from a systems perspective, I expect that my provider will have a patch. So this will not be a significant initiative for us.” Then there is a group in between, which says, “I’m not sure. I’ve done some initial planning, but I’m not sure if this is an opportunity to make other process improvements or not. I’m keeping my eyes and ears open and I need to know more about what is involved.”

Those are the three categories. Now, let’s drill down into some of the steps that the leading organizations are taking. What we have seen and what we would recommend for most organizations, is that these forward looking organizations have done an inventory, if you will, of their statutory reporting. They’ve asked, how many reports do we have? What systems are providing the information for us? Where are the reports being produced physically? What language is being used? And what local GAAP is being used?

That inventory allows these organizations to ask other questions regarding IFRS. Are the changes required by IFRS de minimis or are they material? Right now, these companies may have people who are anchored in one place because of the need for detailed knowledge of local GAAP. With IFRS, that need will begin to disappear. If they go to IFRS, can they begin to move this work? If they do, can they move the people? And if so, where and in what timeframe?

So while there is uncertainty about the ultimate adoption dates for IFRS, these issues play into some more strategic decisions. We recommend that organizations do a high-level assessment, augmented with the statutory reporting inventory. That will give them a better view of the impact of IFRS for their organization. Then they can make the decision to view IFRS simply as a compliance mandate, or as an opportunity for broader process improvement.

### **About Bryan Hall**

Bryan Hall is the Practice Leader of the Finance Executive Advisory Program for The Hackett Group. Mr. Hall has more than 20 years of experience in finance, accounting, systems and consulting, with a focus on transforming the finance function through effective planning, efficient process management and working capital management. Mr. Hall may be contacted at [bhall@thehackettgroup.com](mailto:bhall@thehackettgroup.com).

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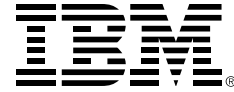
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May 2009  
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