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Can finance regain the centre of the business stage?

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By Paolo Quattrone

There was a time when accounting numbers were not crunched but crafted. There was a time when every accountant knew that an accounting figure was not useful because it was a precise bottom line, but because it generated discussion about the business in the process of calculating it. There was a time when accounting numbers were seen as figures to compose a vision of the future of the business. In brief, accounting was a craft, not a science.

That time lasted long. At least from the early beginnings of the accounting profession, when early accountants (mostly religious people such as Franciscans, Benedictines and Jesuits) crafted numbers for mediating amongst lay and sacred matters, until the beginning of the diffusion of financial markets and shareholders' value as the key mechanism and underlying principle ruling business life. It is only in the eighties and nineties up to the current financial crisis that accounting has lost its relevance in favour of financial modelling, finance based decision making, and automated trading on stock exchanges.

Now we live in times where accounting numbers are produced to be consumed in the market for investment decision making, seemingly to those dozens of unsold flats constructed with the only aim of being sold: the roof was often too low and rooms were always too small to inhabit that space. We know that this consumption frenzy has produced undesired effects and unintended consequences beyond imagination both in financial and the housing market.

There is a need to move away from the idea that complex issues and decisions can be reduced to sterile numbers that can be used without being scrutinised. There is a need to make these numbers central again in debating the complexity surrounding businesses. Accounting (and ERP) systems can no longer be interrogated as if they were oracles ready to give answers.

My view is that accounting needs to become a tool to raise questions (and the right ones) rather than representing (clearly unreliable) matters of fact. Each and any good accountant knows that accounting figures can never be true, that they can never fully represent financial realities, that they are the result of negotiations, organizational politics and so forth. Only abstract theoretical models ignore this very practical wisdom.

These are some of the issues that I discussed when giving a keynote at the last Finance Leaders' Summit in Berlin to which PwC kindly invited me. Those interested in discussing these matters can watch this video or post a comment below. Enjoy it!

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