

Message from the Chair



FGRC: Seize the Opportunity |

BY JOHN B. POLLARA, CMA

FGRC™ stands for Finance Governance, Risk, and Compliance, and it's one of the new strategic initiatives from the Institute of Management Accountants (IMA®) that is intended to advance our profession and drive member growth. But what does this four-letter acronym mean for organizations, individual

professionals, and, perhaps most important, the global profession of management accountancy?

The genesis of this initiative really began with the passage of the Sarbanes-Oxley Act (SOX) in July 2002. As most of us know, SOX turned out to be very audit centric, primarily because most publicly traded companies lacked sufficient internal finance-function expertise in risk management and internal controls to meet its onerous reporting provisions. Relying on internal and external auditors and their checklists to “catch” internal controls deficiencies at the end of the financial reporting supply chain was necessary to survive and “not get voted off the island” (i.e., a negative audit opinion on controls effectiveness). In the wake of SOX, though, our profession did *not* seize the opportunity to take

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the lead in the areas of risk and controls in order to protect investors. But it isn't too late for management accountants and IMA to do just that.

That's where FGRC comes in. An IMA-trademarked term, FGRC is complementary to Governance, Risk, and Compliance (GRC), but it's the Finance piece that will pull the other three together to deliver the greatest organizational value for stakeholders. The market for GRC is tremendous, estimated to be about \$52 billion in 2008, largely because organizations are finding that the demands of the marketplace won't allow a silo

approach to governance (structures and incentives), risk (enterprise risk management, or ERM), and compliance (myriad of regulatory, industry, and local compliance laws, with internal controls serving to ensure compliance with checklists).

FGRC leverages on IMA's thought leadership, advocacy, and member products over the past three years in SOX, ERM, and internal controls. In fact, it has enabled IMA to have a voice at the table with the U.S. Congress, Securities & Exchange Commission (SEC), Public Company Accounting Oversight Board (PCAOB), Department of the Treasury, U.S. Chamber of Commerce, and Small Business Administration (SBA) on key issues affecting organizations, professionals, and economic development. For members, we have delivered landmark research, two Statements on Management Accounting (SMAs) on enterprise risk management, webinars, articles, conference topics, and more to help build quality inside the financial reporting supply chain through a truly risk-based approach.

At its core, FGRC is about improving the quality of internal

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and external financial reporting to meet stakeholder needs and produce “clean” internal controls/audit opinions for the ultimate protection of investors. From an organizational perspective, whether inside or outside the U.S., cost-effective compliance means greater investor protection, a lower cost of capital, and greater credibility and transparency in attracting capital in the competitive global markets.

With that said, have we fully seized the opportunity? Absolutely not, and this is where I need your voice—the voice of the member. Management accounting and finance professionals have the opportunity to be viewed as the driver of right, reliable, and relevant financial information using risk, performance management, and quality approaches. Robert S. Kaplan, a luminary in our profession, stated in the March issue of this magazine: “Management accountants can play a leadership role in the design and effective implementation of risk management systems. This area would be my highest priority for where increases in knowledge and professional expertise could add substantial value to an organization.”

IMA is developing educational resources and learning modules to enable management accountants to play a more substantial role in producing highly reliable and relevant financial reports for various stakeholders, leveraging new competencies in risk and controls design (visit the IMA website at www.imanet.org/fgrc to learn more about our initiatives in this area). Your input on relevant resources and learning modules is critical in this transformation.

As always, I welcome your comments at jpollara@imanet.org. ■