The Financial Information Value Chain: Repositioning Accounting Knowledge

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ABSTRACT

Recently a body of literature has emerged from the United States that attempts to quantify and explain the role the media plays in the provision of financial information to share markets. This paper extends that line of enquiry by focusing on the implications for the accounting profession of various forms of alternative, frequently media-driven, financial information providers. The paper briefly examines the demographic changes in the Australian share markets and adopts a 'value chain' approach in its analysis of the relationship between the media and the accounting profession. It highlights the growth in the media's provision of financial information, analysis and advice and examines the response of the accounting discipline to the changes in the 'financial information' market. Finally, the paper suggests that for the accounting profession to maintain its members' presence in the financial information market it will need to rigorously develop and differentiate its knowledge set to reinforce its value against the growing competition for financial advice coming from 'new' media.

We suggest that to achieve this goal the discipline will need to develop and adopt a more holistic intra-disciplinary 'evidence based' knowledge management system approach to maintaining and developing its knowledge set.

Keywords: accountants; direct investors; media; financial information; evidence based accounting; value-chain analysis.

INTRODUCTION

Recently a body of literature has emerged from the United States that has attempted to quantify and explain the role that the media plays in both the provision of financial information to share markets and the pricing of assets in those markets (Dyck and Zingales, 2003; Ferguson and Crockett, 2003; Chan, 2003; Conrad, Cornell and Landsman, 2002; Tetlock, 2007). For example, Foster (1979) published a seminal article on share market reaction to media disclosure of alternative explanations of already published accounting information. In a more recent case study, Huberman and Regev (2001) highlighted the role that a New York Times article had played in the rise in the share price of a biotechnology company, even though the research information used in the article had been in the public domain for some time. Other studies have examined the intermediary role of the media in the provision of information in share markets (Bushee, Core, Guay and Wee, 2007), focusing on the strength (prominence) of the media's coverage and its impact on share prices (Barber and Odean, 2004; Veldkamp, 2006) and on the credibility and reputation of media outlets (Antweiler and Frank, 2004).

Despite the growth in sources of financial information, little research has been undertaken on the effect of such growth on traditional providers of financial information, like accountants. This paper focuses on the possible implications for the accounting profession of the growth in various forms of alternative financial information media, including print, free-to-air and pay television and the internet.

Porter (1985) described the linked set of value-creating activities from the acquisition of raw materials to the final product or service delivered to the consumer as the 'value chain'. This paper adopts a value chain approach in exploring the relationship between the media and the accounting profession. By adopting this approach, this study provides strategic insight into the impact of recent regulatory and demographic changes to Australia's financial markets on the value-adding capability of the accounting profession. Through the application of Porter's framework, the paper attempts to demonstrate the way in which the profession has defined and managed its own segment of the financial information value chain relative to media providers of such information.

Using the value chain analogy, this paper utilises the five segment value chain of financial information suggested by Elliott and Jacobson (2002). The segments are shown in Table 1:

Stage	*Value-adding activity*
1	recording business events - data collection
2	summarising recorded events into data – reducing data to statistical summaries – judgment about choices of accounting policy
3	manipulating data into information – analysing accounting information
4	convert information into knowledge – what do we understand about the performance and position from our analysis and other relevant indicators?
5	using knowledge to make value added decisions – advice about what strategies to adopt

Table 1: The Financial Information Value Chain

Albrecht and Sack (2000, p.36) suggested that the commercial value of each successive stage was of the order of three times greater than its predecessor. If Stage 1 was worth $10 per hour, then Stage 5 was worth over $800 per hour. Obviously the higher up the value chain that accountants manage to operate, the greater their personal rewards and the greater the perceived value of accounting expertise to the consumers of that expertise. Albrecht and Sack pointed out that the focus in US accounting education was on the first two, low paid stages. These are also the stages where technology has been enlisted to streamline and speed up the recording and summarising of accounting data (Albrecht and Sack, 2000, p.38). Accounting education in Australia is more expansive than in the US and probably covers stages 1 to 3 with limited forays into stage 4.

An American Institute of Certified Public Accountants (AICPA) study in 1994 indicated that investors were clearly more interested in the activities in stages 4 and 5 of the value chain where there is a need to predict earnings and cash flows. The study also indicated that non-professional users of financial information were relying increasingly on professional users to help them in this task (AICPA, 1994, p.16). In Australia one response to the demands of naive investors for quality financial information has been the licensing restrictions imposed by the Financial Services Reform Act (2004)[1].

The financial media is increasingly positioning itself as a professional interpreter of accounting information, employing experts to analyse financial information and make recommendations which can then be on-sold (usually with disclaimers attached!). This advice is aimed squarely at stages 4 and 5 of the value adding process. Where this analysis is subsequently found to be deficient, such as when companies fail unexpectedly, the accountants appear more likely to bear the brunt of damages to their professional reputation, rather than the financial media which interpreted that information.

Such developments have the potential to undermine the perception of accountants as the premier financial information providers because the advice given to investors by intermediaries is often not acknowledged as being a product of accounting information. While this paper does not suggest that all accountants need to re-establish a direct relationship with individual consumers, the profession must reinvigorate the accounting brand in this developing market sector. This requires accountants to own value-adding activities, such as the conversion of raw accounting data to accessible financial information.

The paper is structured as follows: The first section of the paper briefly examines the demographic changes to the Australian share markets and the implications of these changes for those who provide financial information to investors. The second section highlights the growth in the media's provision of such information. The third section of the paper examines the response of the accounting discipline to the changes in the 'financial information' market. The final section of the paper suggests that for accountants to maintain a presence in the financial information market they will need to rigorously develop and therefore differentiate their knowledge set to reinforce its value against the growing competition coming from the financial media. We suggest that to achieve this, the discipline needs to develop and adopt a more holistic intra-disciplinary evidence based knowledge management system. The paper recommends the establishment of an '*evidence based accounting resource* centre' (EBARC) as a mechanism to facilitate this.

The Current Australian Case

The Australian share market traditionally has been characterised by high levels of participation from institutional investors and individual investors with sufficiently large investments to justify devoting significant resources to the provision, analysis and interpretation of financial information. However, in recent years the demography of share market participation has changed. Since 1991 the Australian Securities Exchange[2] (ASX) has commissioned a series of studies aimed at identifying the changing nature of share ownership in Australia. The 2006 Australian Share Ownership study confirmed that there had been a significant increase in the number of 'direct' investors over the previous decade. This study defined 'direct' investors as those who were 'investing their own funds in shares of a company (or other investment) listed on a stock exchange' (ASX, 2007, p.5). Market

[1] This legislation changes the way the public interacts with the providers of financial services and products by limiting the provision of financial services to those providers licensed by the Australian Securities and Investments Commission (ASIC). A person will be considered to provide a financial service if they deal in or provide advice regarding a financial product, which is defined by the act as shares, insurance, superannuation or savings accounts (The Age 29 Sept. 2004, CPA Australia 2008)

[2] The Australian Securities Exchange has tracked key statistics on the private investor market since 1986 and biannually commissioned market research firms such as Millward Brown, Arnold and Bolingbroke to conduct '*Australian Share Ownership*' surveys about Australian share market participation since 1991. These studies have been funded by the Finance Industry Development Account (FIDA).

participants who invest their own funds now represent between 45% and 55% of the volume of share trades[3] made in Australia. The ASX survey suggested that around six million people (approximately 40% of the adult population) in Australia may now be classified as 'direct' investors. In addition, another 1.3 million people hold shares via a managed fund or self-managed superannuation fund (ASX, 2007).

This change in the nature of share ownership has been attributed to several factors (Dunstan, 1997). For example, Governments, wary of future budgetary constraints, have increasingly promoted the concept of the 'self-funding retirement' to an aging Australian population and successive ASX studies indicate that the largest growth in direct investment has come from investors older than 55 years. Simultaneously, many public and private organisations have privatised or demutualised their trading entities in recent years. To make their privatisation strategies more politically palatable, governments have consistently adopted strategies to facilitate a wider distribution of share ownership across the Australian population[4]. In addition, it has become commonplace for companies, trying to achieve greater levels of productivity from employees (at all levels within an organisation), to provide remuneration based on organisational performance. One way of linking rewards to corporate performance has been to partially reward employees with share options or shares[5].

In combination, these factors have resulted in a broader cross-section of the Australian population becoming shareholders. The 2004 ASX share ownership study reported that 'share ownership is increasingly being found among middle Australians [and] shares are no longer the terrain of high income earners and the tertiary educated' (ASX 2004, p.4). Share ownership appears to have stabilised at these historically high levels, irrespective of gender, age classification, socio-economic class, place of residence or educational level (ASX, 2006). Since 2000 international comparisons indicate that Australia now has one of the highest proportions of direct share ownership in the world (ASX, 2006, p. 35). This trend has led to the bifurcation of the financial information markets. One market provides financial information to institutional investors, who trade less but at higher values per trade, and the second, rapidly growing market, provides financial information to the direct investors, who trade more but at lower values per trade. The rise of the financial media as an information supplier to this growing market sector is likely to significantly affect the accounting profession whose members have been the traditional providers of financial information.

The Direct Investor's Market for Financial Information

Since 2002 the ASX has investigated the relationships between this new class of direct investors and the providers of financial information focusing on the reliance placed on each source of financial information. Table 2 provides one way of expressing the influence that information providers have on the decisions made by direct investors. In all surveys undertaken by the ASX, the aggregate use of 'newspapers, television, radio and magazines' significantly dominate all other information sources both in terms of usage and influence. Although there is variability between the various types of 'media', its aggregate ranking is stable across the period.

The Internet also appears to be both a widely used and relied upon source of information by a growing cross-section of investors and usage has risen from twenty-one (2002) to thirty percent (2006). Given that the single most used (and second most influential)

[3] Direct investors are now considered by the ASX to be the major driver of activity in the related share options market.
[4] Successive ASX surveys confirm that between twenty and thirty percent of direct investors received their shares via a demutualisation or privatisation.
[5] The 2006 ASX survey suggests that approximately nine percent of shareholders acquired their shares in this manner.

information source, 'family, friends and work colleagues' (forty-one percent in 2006), are probably not the originators of information but simply relaying data from the other sources, the impact of the media and the Internet may be actually understated[6]. All branches of the media appear to have adopted strategies that attempt to capture this new market segment.

Source of advice and information (ranking 2006)	**2002**	**2003**	**2004**	**2006**
Media – Newspapers	44	46	44	42 (1)
Television / radio	34	36	30	24
Magazines	23	24	25	20
Family / friends /work colleague	30	32	47	45 (2)
Internet	21	26	27	30 (3)
Newsletters	N/a	N/a	N/a	23 (5)
Financial planners	29	26	30	26 (4)
Broker	21	24	22	22 (6)
Accountant	15	25	18	13 (7)
Not used advice	15	12	10	12 (8)
Seminar	N/a	Na	14	9 (9)
Source: ASX (2002 -2006) Figures represent percentages of investors surveyed and 'sources of advice and information' are not mutually exclusive.				

Table 2: Sources of Financial Information for Direct Share Investors

What is missing from these survey results is any reference to company financial statements. In a survey conducted in the US in 1986, company annual reports were the single largest source of information for individual investors (AICPA, 1994). For many individual investors in Australia today, company financial statements seem to have all but disappeared as a direct source of information, despite them being more available and accessible than ever before.

Dyck and Zingales (2003) suggest two reasons why reporting by the financial media may affect asset prices and therefore provide a primary source of information for direct investors. They put forward the suggestion that the media 'adds value' by reducing transaction costs for investors. This is achieved by reducing information collection costs and the media adding credibility to the data provided by companies. Porter (1985) suggested that those segments of the value chain that successfully adopted a 'low-cost' and/or 'differentiation' strategy would extract significant economic rewards. Dyck and Zingales (2003) cite the influence of the New York Times on US share prices, citing its reputation and the size of its circulation as the rationales for its impact. Although no quantitative analysis of the media's impact on the Australian securities market is available, the growth in investment/business related media outlets and its systematic branding suggests that media proprietors are fully aware of the emergence of the 'direct' investor market. The following sections briefly outline the Australian media's growth and the branding strategies they have adopted over the period associated with the emergence of the direct investor market.

[6] Note: Asked for the first time in 2006, twenty three percent of respondents claimed to use investment newsletters as a source of financial information. Due to a lack of detail as to the sources of these newsletters it is difficult to interpret whether this represents an increase in the use of the 'internet', 'media' or one of the 'experts' sources of financial data.

Print Media

Australian newspapers have traditionally contained a dedicated business section but in recent years publishers have significantly expanded their emphasis on financial content both in terms of the size of their coverage and its scope. Stock market movements are now 'mainstream' news. For example, the Australian Financial Review (AFR) was launched in August 1951 and remained a weekly publication for over twelve years, becoming a daily only in 1963. In the last decade the AFR stable of offerings has expanded rapidly, with the introduction of the AFR magazine (February, 1995) followed by the AFR website (June, 1995, with its content and capacity significantly upgraded in 2000). By September 1997 the management of John Fairfax Holdings Ltd began publishing a weekend edition of the AFR (September, 1997) and eventually a second magazine, AFR's BOSS, (March 2000). In addition to the AFR branded press, John Fairfax Holdings Ltd publishes a variety of business related magazines such as Smart Investor. If one adds publications such as Money and Business Review Weekly plus myriad smaller independent publications like Wealth Creator and Your Trading Edge, one gains an appreciation of the extent of the competition that now exists in the market for financial information.

'Free to air' television

'Free to air' television operators have also recognised the demand for business and finance-based information and have dedicated an increasing proportion of 'air-time' content accordingly. The coverage of financial issues in general news programming has increased with all stations providing a dedicated financial segment in most news bulletins and more extensive coverage in the evening news. These segments have grown not only in duration but also in the sophistication of their content and are now often sponsored (or directly provided) by widely-recognised financial brands such as Commsec, ASX, Reuters or Bloombergs. Increasingly, news programs that originally had a segment of content dedicated to financial commentary are spawning sister programs specifically dedicated to business and financial issues[7]. In addition there has been a proliferation of stand-alone business programming[8]. The programs are often hosted by high profile 'business personalities' and, because of the size of their audience can attract the participation of influential speakers from all sectors of the commercial world. The participation of these individuals and their association with strong financial brands increases product credibility and, tied to the investor's familiarity with the medium, produces strong audience interest, as illustrated by the ASX survey results.

'Pay television'

A PriceWaterhouseCoopers 2005 survey[9] suggested that consumer subscriptions to 'pay television' had grown to approximately one third of Australia's viewing public. The report suggested that original and exclusive content was critical to ratings and thus revenue for the pay TV operators. This demand for content and the growth in the Australian population's interest in investments and therefore business-related information has driven an increase in specialised business channels and programs. Again highly-recognised international brands such as BBC, CNN, Bloomberg and Reuters now offer specialised channels or significant amounts of designated programming[10]. Media analysts suggest ratings and revenues will be even higher with the introduction of more interactive digital platforms that open up new opportunities to target 'specific' information consumers. There is no doubt that the new class of direct investor will not go unnoticed. The digital age will provide a higher level of 'one-on-one' engagement with the viewer and allow more specific financial

[7] For example, The Nine Network's Sunday and Business Sunday programs or the ABC's Lateline and Lateline Business.
[8] For example, 'Inside Business' on ABC or 'Business Success' on the Nine Network.
[9]See PWC (Australian Entertainment and Media Outlook: 2005-2009): shows the December 2005 subscriber base as follows: Austar's 525,000; Foxtel 1,100,000; Optus' of 172,000. This represents approximately 1,797,000 subscribers.
[10] For example, Sky Business Reports, CNN Business, BBC World Business, Bloombergs and Bloombergs Weekend Business.

information to be disseminated directly to subscribers. The interactive nature of the medium will further facilitate new connections between financial information providers and users.

Internet

Australian Bureau of Statistics data (2001-2005) indicated that Australian household internet subscriptions had risen more than 47 percent from 2001 to 2005 with over 10,565 million megabytes of data downloaded during the 2005 year, which represents a staggering 1,629.1% increase in usage for the 5 year period[11]. This growth in both access and usage corresponds with the findings by the ASX surveys indicating that more direct investors are going 'online' to seek information to support their trading (see Table 2). Media analysis consistently shows that traffic on strongly-branded business and finance websites such as AFR or ASX has grown by as much as 30% per annum[12] in recent years. Using the Australian Financial Review, again, as an example, after the initial introduction of its website in 1995, rapid technological change and increasing consumer demand drove expansion of the service. Initially, what was just an online newspaper now incorporates personalised alert features, access to archival data, company profiling and share price quotes. In June, 2006 AFR launched a second online subscription service, AFR Access, which it described as a 'revolutionary web-based toolkit for investors' that combined a 'range of data sources', with 'customised analysis tools' that could be applied 'across equities, property and managed funds'[13]. Add to this other web resources provided by John Fairfax Holdings Ltd such as Trading-room and AFR Smart Investor, plus similar services provided by its competitors and direct investors appear to have easy and inexpensive access to a wide body of financial data, analysis and advice.

Many media analysts believe that the future will see a further convergence of multiple communication sources with linked content coming from 'free to air' and/or pay television, magazines and Internet sites all branded with a single banner (PriceWaterhouseCoopers, 2005). The AFR examples cited above would appear to confirm this process has already become established. The interaction of these media will enable consumers to identify a preferred and perhaps familiar source of financial information with links allowing them access to more precisely targeted content about specific investment issues. All forms of media will increasingly link their coverage to strong brands and share (thereby reducing) costs.

According to Porter (1985) in an environment characterised by consumer familiarity with strong brands presented through easily accessible, inexpensive multiple media sources, 'experts' such as accountants will need to countenance the unenviable task of differentiating themselves from these large media entities to add value (and therefore extract economic benefit) to the direct investor information market. If we put this into the context of Elliott's value chain of the financial information market (2002), the media is increasingly populating stage 3 (manipulating data into information) by providing a range of data analyses; stage 4 (converting information into knowledge) by providing explanations of what the information means for investing; and increasingly colonising stage 5 (using knowledge to make value-added decisions) by providing some indirect advice with regard to buy, sell and hold decisions. As a result, accountants are effectively relegated to stages 1 (recording business events) and 2 (summarising recorded events into data) of the value chain. Auditing, despite playing a vital role, is limited to stage 3 in providing information about the reliability of the information contained in financial reports. This is a very dangerous place for accountants to be caught as it exposes them and the auditors to all the risks of information being evaluated

[11] ABS data shows that in 2001 3.486 million households were subscribers downloading 611 mbs of data and that by 2005 this had grown to 5.135 million households downloading 10,565 mbs.
[12] See http://www.auditbureau.org.au/ for Audit Bureau of Circulations data 2000 to 2005.
[13] See http://www. AFR.com/newspaper.aspx.

incorrectly by the financial media operating at levels 4 and 5 and provides the media with an easy scapegoat when advice proves unreliable.

Expertise

The ASX surveys (2002-2006) indicated that of the 'expert' providers, both 'financial planners' and 'brokers' were the preferred sources of information for the survey participants both in terms of usage and influence. Accountants trailed both with only thirteen percent of respondents citing them as a source of information and only four percent suggested that accountants were influential in their investment decisions. While all three 'expert' groups display some volatility in their rating, Table 2 indicates that reliance on accountants is the most volatile source of information. The importance of the direct investor's preference for 'financial planners' as opposed to 'accountants' even prior to the Financial Services Reform Act (2004) appears indicative of a significant decay in the perceived value of the accounting profession's services to direct investors.

A 2002 CPA Australia survey of individual shareholders asked respondents about their perceptions of financial accounting data as a source of useful financial information (Walters, 2003). The findings indicated that only eighteen percent of respondents believe they could confidently rely on financial accounting reports while twenty-four percent indicated that financial accounting data could not be trusted. Of the shareholders that did rely directly on financial accounting reports, only twenty percent read those reports in detail while fifty percent indicated they simply 'scanned' them. (Of all respondents, six percent said they often just 'throw the reports away'). Of significance for the accounting profession in a market dominated by the media, fifty-six percent of respondents suggested that they perceived financial accounting information as 'just another piece of advertising' (Walters, 2003). This means that investors believe that the financial media, brokers and financial planners can add value that is not captured either by financial reports or other accountants. In a financial information value chain dominated by the media, this perception is an important and very worrying observation for the accounting profession. It leads us to question why direct investors may be rejecting the brand 'accounting'.

The 'Accounting' Brand

It would be superficial to suggest that the damaging press accompanying the corporate collapses of the last few decades, such as at Enron, OneTel and Harris Scarfe, was solely to blame for the diminution of the accounting brand. The scale of operations and publicity generated by the dominant accounting firms mean that names such as PriceWaterhouseCoopers and KPMG are immediately recognisable to the majority of Australians who know nothing about accounting. The gradual reduction in the number of these firms, colloquially described internationally as the 'Big 12', then the 'Big 8' and, since the collapse of Arthur Anderson, the 'Big 4', has been matched only by their growth in size and influence. However, the core of their business has always resided in their accounting and auditing work and their high visibility means that their performance has been and will remain central to the whole accounting discipline (Stevens, 1981).

The collapse of a major listed entity has a twofold effect in the accounting profession. The dominant 'Big 4' accounting firms cannot avoid damaging press reports whenever listed companies collapse suddenly but they are powerful enough to mount a strong defence of their reputations, as was evident in the US after the collapse of Enron. Reports on company collapses also, however, tend to have a significantly negative impact on the professional 'brand' of accounting when compared with other 'financial information' brands such as Reuters or Bloomberg.

Large accounting firms trade heavily on their brands with the corporate market. A difficulty arises for the profession with those firms below the Big 4, such as WHK, PKF and

BDO, which are not as recognisable to direct investors. The ability of these second tier firms to establish strong brand recognition across the broader community (and thus strengthen the overall brand of the 'accountant') has been constrained due to their relative lack of resources, given that they only account for eight percent of the fees collected by the top hundred firms[14.] This factor may explain the emergence of accounting conglomerates such as Count Financial and First Capital Securities in an attempt to develop scale and brand power through the amalgamation of smaller firms. Several mid-sized Australian accounting firms have also become affiliated with international accounting networks or alliances[15.] However, the collapse of prominent stock exchange-listed accounting entities such as Harts Australasia and Stockford may have had a debilitating effect on both the conglomerate and franchise models' capacity to build a strong alternative accounting brand to that offered by the 'Big 4'.

A major issue for the accounting profession is the significance of reported company profit figures. Whereas accountants understand the role that judgment plays in arriving at these figures, rendering then tentative at best, the share market tends to believe that they are statements about an objective reality. The accounting profession has not dealt effectively with the problem of the reliability of reported company profit figures as the market has come to rely more on them as statements of fact.

Responses from the Australian Accounting Profession

Internationally the governing bodies representing accountants have been observed to consistently adopt those strategies that are associated with the public endorsement of their profession (see for example, Torstendahl, 1990; Larson, 1977; Lee, 1991; 1995). The Australian 'direct investor' financial information market, in which technologies have facilitated inexpensive, easily accessible sources of information, presented in familiar formats to relatively uninformed consumers, means that accountants urgently need to re-engage with the task of differentiating themselves if they want to play a role in providing information to direct share investors. Historically the manifestation of this response has been through the promotion of disciplinary 'expertise'. This is a logical approach as 'specialised knowledge' is the trait most strongly identified with professional recognition (see, for example, Greenwood, 1957) and may provide a means of differentiation for accountants from newer more recognisable and less expensive information sources.

In the 1970s and 1980s the accounting profession internationally embarked on the overt promotion of its knowledge set through the development of 'conceptual frameworks'. Numerous studies suggest this approach was both expensive and inconsequential (Gerboth, 1987; Solomons, 1986; Hines, 1989 and 1991). Given the development of the direct investor information market, this historical criticism of frameworks based on the definition of 'decision useful' appear more relevant than ever (Williams, 1987). Gore (1993) suggested that 'general-purpose' accounts were fundamentally designed for those with the time and expertise to master the materials that they read. We want to suggest that, given a new generation of users, the difference between the relative expertise of the user and the preparer has never been larger, and thus such an approach is unlikely to capture any value for accountants within the direct investor market.

The accounting profession in Australia has recognised that a separation in the financial information market has occurred and that there is a need to establish the value of the accounting knowledge set to a new demographic. Both the ICAA ('number 1 in numbers') and CPA Australia ('we mean business') have embarked on expensive multimedia brand

[14] See BRW 2006 'Accounting Survey;

[15] See for example: Baker Tilly International; Nexia International; Kreston International and Polaris IA International

management campaigns. A marketing report commissioned by CPA Australia in 2005[16] indicated that they had had some success in establishing brand awareness of the CPA designation across the general public with 86% of survey respondents recognising the CPA logo and designation. Since 2003, the ICAA have more specifically advanced the 'chartered accountant' brand in an attempt to both promote and simultaneously differentiate it from the CPA designation. By June 2005 the ICAA had embarked upon an aggressive advertising campaign that was particularly critical of its main rival. This drew specific criticism that rather than promoting a particular brand of 'accountant' it denigrated professional accountants in general (Buffini, 2005; Clarke, 2005).

The annual financial reports of both professional accounting bodies show an increase in marketing and promotional expenditure during the period 2001 to 2005. ICAA reports that its direct (and related) marketing expenditure rose from $4.4 million in 2001 to $9.3 million in 2005, while CPA Australia's expenditure increased from $6.4 million to $11.1 million over the same period. Given the nature of the current financial information market, the direct advertising approach undertaken by both major professional bodies appears an obvious response to a shrinking reach for accountants given the 2002-2006 ASX survey results and the 2005 CPA shareholder survey (Walters, 2003). The difficulty facing both accounting bodies may be that brand recognition will not equate to a broader demographic reliance on accounting knowledge and constrain accounting to the corporate sector (preparation and audit) or less rewarding segments of the value chain for public practitioners.

The licensing restrictions[17] created by the Financial Services Reform Act (2004) that limits the investment advice that accountants are permitted to provide, are perhaps symptomatic of the failure of the accounting profession to establish credibility in the direct investor information market. Such exclusions formally entrench accounting in stages 1 and 2 of Elliott's financial information value-chain with regard to direct investors.

For accountants to operate at Stage 3 and beyond in the financial information value chain, the accounting profession needs to re-engage with fundamental research into the types of information that investors need and the kind of information that accountants could supply. The current information being supplied is a relic of the industrial era (Elliott and Jacobson, 2002, p.73) and a reinvigoration of accountants' knowledge set is long overdue.

The Future: Developing the Accounting Knowledge Set

The discipline of accounting has few centres of research in Australia that successfully develop knowledge within the discipline. The Securities Industry Research Centre of Asia-Pacific (SIRCA) and CMCRC Limited come closest by focusing on the effects and value of corporate disclosures, the economic consequences of new accounting standards, and providing predictive financial analysis. Whereas centres such as SIRCA and CMCRC may be known to academics and some accountants, they have had little direct effect on the accounting discipline's body of knowledge and the practice of accountancy. Accountants are perceived, at best, by direct investors as simply data providers to other experts and the media in this emerging information market. Despite the work of centres like SIRCA and CMCRC, the accounting discipline and its professional bodies lack brand power in the emerging direct investor information market. The media provide the links in the value chain that are perceived to reduce costs and provide value-adding analysis and are economically compensated accordingly.

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[16] '*Advertising and the CPA Designation: Research Study,* ' commissioned by CPA Australia and produced by Worthington Di Marzio in 2005.

[17] This legislation limits the scope of the advice accountants can provide if the accounting practitioner does not possess an Australian Financial Services License. The profession lobbied vigorously, citing accountant's 'financial expertise' as the rationale for an exemption from licensing but failed to secure a comprehensive exclusion from the restrictions imposed by the legislation.

Grant (1996) warned that the major challenge for all 'experts' in maintaining a comparative advantage in a crowded information market would be the creation, capture and dissemination of intra-disciplinary knowledge. Vandenbosch and Ginzberg (1996) highlighted the need for experts to implement a precise strategy rather than simply rely on new technologies to disperse and integrate information. This paper suggests that the professional accounting bodies may need to explicitly develop an intra-disciplinary knowledge management system as a means of more effectively disseminating accounting knowledge. Foley (1996) proposed the development of a complete and well-integrated knowledge management system to provide competitive advantage in hyper-competitive environments such as professional services. Formal systems are said to increase flexibility and innovation for organisations competing in markets based on services and expertise, allowing quicker and more appropriate organisational responses to evolving markets (Stata, 1989).

The 'Big 4' accounting firms have recognised this need to develop and manage the dissemination of their 'knowledge' through in-house 'knowledge management systems'[18] (Alavi, 1997; Davenport, 1997; Bartlett, 1996; Alavi and Leidner's, 1999). Traditionally these systems were not designed to support clients from the emerging 'direct investor' information markets but were focused on the needs of sophisticated users and providers of financial information. Recent evidence of this can be seen when Big 4 pursue a strategy of expansion into the 'small client' market through acquisition of second and third tier accounting practices[19]. This will satisfy big firm needs but cannot provide the integrated approach that the accounting discipline requires.

Flanagan and Clarke (2007) suggested the establishment of one or more 'evidence based accounting resource centres' (EBARC), facilitated and supported by the professional accounting bodies. Based on the model adopted by the medical profession[20] 'evidence-based accounting' would be a systematic approach to enhancing 'ground-level' professional practice with specialised expertise. Evidence would be collected and ranked in a hierarchical framework through systemic review of the literature, and be critically appraised. Such a holistic approach, by facilitating better interaction between the professional bodies, academia and practicing accountants, would promote the view that accountants will make more effective decisions if they have access to all the relevant research data and that the data has been effectively evaluated. This strategy provides a systemic basis for the evolution of best practice guidelines and is therefore focused on higher value-chain outcomes.

Given the emergence of the direct investor market, accountants need a more effective means of disseminating the results of relevant research to both practitioners and to a broader demographic audience. A defining aspect of the evidence-based methodology would be EBARCs' role in the interpretation and subsequent dissemination of current best evidence/practice throughout the profession. An obvious extension to the role of the EBARCs would be to promote and provide this information, rather than data, to a broader demographic user set. If these centres can provide both practitioners and direct investors with a usable accounting knowledge and promote that knowledge, rather than highlighting the role of individual accounting firms, universities or either of the professional bodies, the profession may be able to significantly differentiate the accounting 'brand' from the brands of other information providers.

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[18] For example, O'Leary (1997) examined several of these systems (Arthur Anderson's 'KnowledgeSpace'; Ernst and Young's 'Leading practices K-Base' and PWC's 'Knowledge View');

[19] See for example, the rationale supporting the recent acquisition of the Melbourne office of BDO (a second tier firm) by Delloittes.

[20] See, for example the approaches adopted by the American College of Physicians; Australian Medical Association and the British Medical Association.

Porter (1985) highlighted the need for individual segments of a value chain to understand each other's positions and to better facilitate outcomes for each link within the chain. For a value chain to succeed, all participants, including consumers, in this case, direct investors, must add and receive value. The development of the accounting brand through EBARCs would allow for lower transaction costs by spreading the cost of EBARC activity across a larger pool of people, reducing duplication and avoiding copyright use of certain measures. It would also allow for closer management by the accounting profession as a whole of the relationship between the discipline and the various media outlets, thus facilitating better outcomes for all parties.

A systemic approach to intra-disciplinary knowledge management would result not only in better decisions being made by individual accountants but increased information resources channelled throughout the entire discipline (many members have considerable interaction already with direct investors through taxation and superannuation services) and even directly to the public or via existing media links. The result from such an approach would be an enhanced general perception of the value of accounting knowledge within the value-chain. A disciplinary-wide knowledge management system for accountants facilitated through evidence-based accounting resource centres would create, gather, organise and disseminate the profession's 'knowledge' rather than just publish 'data'.

Technologies, such as the Internet, intranets, data warehouses and filters that may be seen to be currently diminishing the accounting 'brand', could provide a welcome boost by enabling the profession to systemically differentiate itself from its competitors via the development and dissemination of specialised knowledge and thus provide the sustainable competitive advantage needed in the current hyper-competitive direct investor financial information market.

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