Confederation of Irish Industry
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Member of UNICE - the voice of European Industry

Talk by Mr Liam Connellan, Director General, Confederation of Irish Industry, on presentation by him of Certified Diplomas in Accounting & Finance on behalf of the Chartered Association of Certified Accountants in The Industry Centre, University College Dublin on Thursday, 15th November 1990 at 6.00pm.

MANAGEMENT DEVELOPMENT: A KEY FACTOR IN COMPETITIVENESS

COMPETITIVE PRESSURES INTENSIFY

It is now clear that the three-and-a-half year period of strong economic growth came to an end in the first half of this year and that the growth in manufacturing output this year will be only slightly more than a quarter of the average annual increase over the last three years. This is due primarily to a sharp deterioration in international trading conditions, including the onset of recession in Britain which is still our largest single market, and stagnation in the United States. The slow-down in manufacturing output had been predicted following a sharp fall in order books since January. In October order books had fallen to the lowest level since the end of 1986 and there is, as yet, no evidence of a resurgence.

There are also extremely strong competitive pressures on Irish industry at present due to falling prices. For example, export prices in August were 10% below those in August 1989; import prices were 6% lower and manufacturing output prices in September were 3.4% below those in September 1989. These price declines were due to the fall in the value of sterling and the dollar against the Irish pound; a sharp reduction in agricultural prices and a fall in computer prices. Price falls of these magnitudes are exerting very severe pressures on Irish-based firms who must cut costs in order to remain competitive.

Falling prices are resulting in a sharp drop in profit margins which had only recovered to the level required to sustain the expansion of output at the rate achieved in recent years. It is essential that the competitiveness of Irish firms be improved so that they can gain an increased share of export markets which are showing little growth.

There are indications that without remedial measures public spending will rise significantly in 1991. It is therefore particularly important at this critical juncture that rigorous financial management is implemented by both industry and Government. Any postponement of measures to improve competitiveness would have a very negative impact. Improved competitiveness is the only way to restore output and employment growth to the levels necessary for a continued reduction in unemployment and to ensure a sustained increase in investment.

THE CERTIFIED DIPLOMA

It is my pleasant duty to congratulate the 52 students who have been presented with the Certified Diploma in Accounting and Finance. This is a post-graduate level management qualification which provides non-accounting professionals with the skills needed to use financial information in a management context.

I am particularly impressed by the wide range of backgrounds from which the students have been drawn. I note that this cohort of students includes people from both the private and the public sectors and from manufacturing and service industries. The financial services sector is particularly well represented and covers the full spectrum of banking, insurance, building societies and investment finance.

In addition to congratulating those who have received the Certified Diploma this evening, I would like to compliment the Chartered Association of Certified Accountants for having the foresight to introduce this management qualification in 1972 which is almost 20 years ago. The Certified Diploma still remains a unique qualification in finance for managers who do not have a professional financial background. There are already more than 6,000 holders of the Certified Diploma located in more than 100 countries. The capacity to offer the Certified Diploma on a wide international basis is underwritten by the strength of the Chartered Association of Certified Accountants which, between qualified members and students, has a strength of 118,000 spread over 120 countries. The international strength of the Chartered Association means that the examinations for the Certified Diploma are currently held in 80 centres and I am particularly pleased to see that there are no fewer than five centres in Ireland - Belfast, Cork, Dublin, Limerick and Sligo.

Management Education

I was a member of the Advisory Committee on Management Training which reported to the Government at the end of 1988. The Advisory Committee pointed out that management training is an important national issue because our economic performance is directly related to the quality of management. Many commentators rank management ability as the single most important determinant of business success. All successful industrialised countries give high priority to the quality of their managers and they invest heavily in management training. Increased competitive pressures on Ireland place a new focus on the need for us to intensify our efforts in the area of management training. Three very important factors which are increasing the competitive pressures on Ireland are the completion of the EC Single Market, the developments in Central & Eastern Europe and the continuing impact of new technologies on business. All of these developments make significant demands on Ireland which suffers from the disadvantage of being a small less-developed region on the periphery of the European Community. Excellence in management can help to overcome Ireland's disadvantages of peripherality in Europe. Excellence in management will give Ireland the capacity to go up-market in terms of international trade, with particular emphasis on high technology manufactured goods and on a wide range of internationally traded professional and financial services.

International Comparisons

The World Competitiveness Report 1990 which is published by the World Economic Forum in Switzerland assesses the overall competitiveness of all of the developed industrial countries and of a number of newly developing countries. The assessment is made on the basis of ten key factors and it covers a total of 326 criteria of competitiveness. The major factors which are assessed include the dynamism of the economy, industrial efficiency, market orientation, financial dynamism, human resources and other major factors which impact upon the environment for enterprise.

The chapter relating to the quality of human resources covers more than forty criteria including population characteristics, the labour force, employment, unemployment, education, healthcare, remuneration and executive quality. The three factors which are assessed under the heading of executive quality are all related to management and are:

- management education
- management initiative
- management and information technology

Ireland is ranked in fourth place among the industrial developed nations with regard to the extent to which the education institutions adequately prepare executives for the need of business. The quality of management education in Ireland is surpassed only by the USA, Switzerland and Canada; on this basis, we perform extremely well and obviously have the basic skills which we need to apply to a greater extent within firms.

One of the most important factors which impacts upon the success of firms is managerial initiative. The World Competitiveness Report 1990 gives a table which measures managers' sense of drive, responsibility and entrepreneurship. Ireland is in ninth place in this table which means that we are well within the top half among all of the industrialised developed countries. The countries which rank ahead of us include Sweden, USA, Germany, Japan, Finland and a number of other developed economies. The three countries which immediately follow us are France, Austria and Denmark.

A third factor which must be added to the quality of management education and to managerial initiative is the actual application of managerial skills in enterprises. This is particularly important in relation to the impact of new technologies. The third survey reported in the World Competitiveness

Report 1990 to which I want to make reference is that which assesses the proportion of top managers who understand and are using information technology. In this case, Ireland ranks in tenth place among all of the industrial developed countries. Countries such as the USA, Finland, Sweden and France are out in front and Ireland is followed immediately by Austria, Germany, Norway and New Zealand.

FOCUS FOR THE FUTURE

It appears to me that Ireland has strengths in terms of the quality of pre-employment management education which is provided by the educational institutions and in terms of the innovative ability of Irish managers who compare favourably with their counterparts in the industrial developed countries. I believe that the major challenge for the future is to place a far greater emphasis on management training within business and industry. This is where qualifications such as the Certified Diploma become important. The "open door approach" traditionally taken by the Chartered Association for their own professional examinations is also available to students preparing for the Certified Diploma. The Certified Diploma as a management qualification is accessible to all who possess non-finance professional or graduate qualifications and study arrangements are extremely flexible. The four main methods of study are distance learning, part-time courses, full-time courses and in-house courses. It is obvious to me from the list of employers of the successful students who received the Certified Diploma here this evening that the qualification is widely recognised in Ireland in both the private and public sectors and in manufacturing and service industries. I warmly commend the Certified Diploma as a valuable qualification which equips the holder with a range of management skills tailor-made to heighten the financial awareness of the non-accounting professional.

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