



## **CILEA: PHILOSOPHY AND STRATEGY**

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**I.** The economy in today's globalized world and the theories on development are currently moving through a new phase.

One of the most positive trends of the last decade is the common belief that development must currently set itself far-reaching goals that transcend economic progress itself. Economic progress remains a cardinal point, although no longer adequate if it is not coupled with a significant expansion of human freedoms.

The concept of "development as freedom", introduced by 1998 Nobel Economics Prize winner Amartya Sen, is the expression of this new, though deeply-rooted perspective, born of the steady dissemination of global ideas and values of human rights, social development, respect of ethnical/cultural differences and safeguard of the environment.

This point takes on a particular meaning if we consider that many of the so-called rich countries, despite their affluence, still suffer today from the violation of elementary rights that involve people and endanger the environment.

In this frame, the development itself of enterprises cannot but steer towards a greater social and environmental awareness.

Intellectual knowledge and, in particular, professional qualities, may significantly contribute in this regard, and they themselves become an element of development.

**II.** The events that have marked the start of this Millennium have clearly demonstrated how the process of market globalization, as such, is clearly insufficient to create a sustainable development which is both economically balanced and is able to prevent unsustainable social impacts.

Perhaps the most important lesson we can learn from the latest international events is the need to counterpoise the globalization of markets with the globalization of cultures.

In fact, the spreading of international trade and the free circulation of financial capital are inadequate to ensure that development takes place in such a manner as to also "sustain" the problems associated with political and social balances. These balances are deemed paramount since they are the foundations upon which human societies and inter-society relations rest.

Hence, if we truly wish a sustainable development, as many parties reasonably urge, we must stop disregarding the importance of a dialogue and an integration of the cultures that have shaped the history and progress of mankind.

The need for an intercultural dialogue, which instills into each single culture - each one to safeguard - the power of co-existing in an economically-globalized world by new dynamics and rules, therefore implies the extension of a global dimension also to social dialogue.

**III.** The need for the globalization of social language and the rules of dialogue between different local realities and models becomes particularly important in an age in which the so-called "economy of knowledge" is becoming more and more widespread.

An economy based on the gradual assertion of business organizations focused on the collection, processing and transmission of information and knowledge. A framework in which economic value is basically intangible and is formed by data, information, forecasting and processing. Hence, an economy that requires a higher degree of intellectual workers with respect to the last two decades.

To conclude, it seems appropriate to argue that intellectual capital is today an enterprise's most precious "raw material", its main engine of development, even more important than natural resources and financial capital.

**IV.** Globalization determines a strengthening of world social relations, causing local events to be shaped by events taking place thousands of kilometres away, or vice versa. In this sense, globalization is not, per se, modernity: it is rather the radicalization and universalization of modernity.

Globalization may be viewed from various angles. From one viewpoint, it is commonly considered an opportunity, from another, a threat, almost as if we were to decide whether to accept it or not. Instead, globality is only a more advanced form of modernity, a new dimension which helps to seize unexplored opportunities, to open up many frontiers, to dismantle century-old walls and barriers; for this reason, it needs to be fully grasped.

Intellectual capital plays a pivotal role in defining new control systems of global economy.

Faith in modern economic and social systems, therefore in a globalized world, keeps the social system bound together and helps the economy work. It is faith that joins individual interests and allows elaborate mechanisms to work. Without faith, there would be no money, without money there would be no exchanges, hence there would be no market either.

Intellectual capital - the group of knowledge workers who nurture and apply the fundamental techniques of day-to-day living in a business organization - works likewise. These are the people who control the fate of the world, not financial capital or oil. Knowledge workers are the people who receive and nurture the knowledge produced over the centuries by mankind.

Rather than in them, our "faith" rests in the validity of the expert knowledge they apply.

Hence, intellectual capital must be placed at the foundations of social self-regulation systems. These systems must show the path towards a new system to control globalization processes. A system that places intellectual capital, rather than financial capital, first and foremost.

**V.** It still remains to be seen which model of profession is destined to tackle the challenge more effectively and become the leading player of the ongoing processes of change.

Very often have the peculiarities of the Latin professional world been brought to the foreground. The Latin model is based on a multidisciplinary background and on composite training, therefore open to a greater social awareness. On the other hand, its Anglo-Saxon counterpart rests on a specialist background and on organization, more oriented towards market laws and specific client requirements.

The two models should join forces, since both are carriers of positive values and are therefore destined to express greater potentials together, rather than as two separate entities. They are two sides of the same coin, both basic requirements to perform activities of an intellectual nature. There is no right or wrong model, no winner or loser: instead, co-existence created and required by the market forces themselves.

However, in the foregoing frame of development, one cannot but stress the modernity of the Latin model, capable of envisaging a new vision of the profession, based not only on market trends, but also on the safeguard of public interest.

A profession which, by combining economic-accounting knowledge and juridical competence, presents itself as the primary element in the regulation and legitimization of market trends, generating a unique global professional for the needs of the economy.

**VI.** The activity of CILEA "Comité de Integración Latino Europa - América" fits perfectly into this picture. CILEA was established in 1997 and today comprises 24 professional bodies coming from 19 countries of Latin origin of the two continents.

The activity conducted so far has enabled the development of technical knowledge and social relations, making CILEA an indispensable means of communication between Latin professions, and an opportunity to be on the cutting edge of the globalization debate, at both professional and institutional levels.

Much credit must be owed to CILEA today for the permanent link connecting professionals of Latin origin on a global scale, presenting itself as a model and an example of international collaboration, destined to bringing greater effectiveness and authority to the efforts made, especially in the frame of IFAC and of all international bodies, in order to acknowledge the validity of the new vision of the profession, a vision which is more multidisciplinary and attentive to general interests.

In this context, CILEA must strive to disseminate and assert the following principles that are to become the pillars of its international policy:

- 1) the economic and accounting profession must organize its identity around the pivotal role of the safeguard of public interest, to satisfy both the expectations of a community disheartened by the various financial crises, and to enhance the image of the profession; in this sense, one must consider the services in which the professional-client relationship is not purely a bilateral relationship of a conventional nature (i.e., audit); in this case, we have a composite relationship, in which the effect of the professional service impacts not only on the direct beneficiary, but also on the entire social community, therefore meeting the demands of general interest; hence, a course must be set and pursued to reach regulating or self-regulating measures that strengthen the professional's public responsibility;

- 2) the economic and accounting profession must take into account the real statistical data of every country across the world; it must appropriately recognize the fact that 95% of the world profession is composed of professionals practicing in small or medium-sized firms, who need to be represented at international level and to dialogue among themselves in order to participate, through their organizations, as main players in the globalization process, thus assuring a positive contribution in terms of balanced and sustainable development. There aren't only the big firms in this context; the audit activity, although important, is not the only professional domain that must develop and spread; external and strategic consulting are activities likewise important, where the economic profession must become an increasingly authoritative protagonist;
- 3) the economic and accounting profession must enhance the model of knowledge and of professional interdisciplinary qualities and provide qualified consulting, given its diagnostic skills based rather on the macro- and micro-analysis of the economy, than on the ultra-specialist knowledge of a single business sector. Likewise, the social and environmental dimension in the economy of assisted enterprises can be achieved only by adopting a broad disciplinary approach, both in the definition of the didactic content to access the profession and for ongoing professional training;
- 4) the economic and accounting profession must guarantee the maximum level of reliability and credibility of its statements and services; the credibility of service rests on two elements: one of a subjective and the other of an objective nature: the subjective aspect involves the independence of the professional, while the objective aspect regards the reliability of information, of data and of documents processed by the professional. In this dual sense, specific ethical codes must be laid down and accounting and audit principles harmonized, besides commencing a constructive analysis of the synthetic and analytic models designed to address the environmental and social information of economic activities. In regard to international accounting principles, strong support should be lent to the subjects urging the definition of more appropriate models for the preparation of financial statements of SMEs, currently still not considered as falling under the domain of the international principles. The internationalization of SMEs, in fact, requires a timely consideration of the principles to apply to these business organizations, which are deemed vital for world economic development;
- 5) the economic and accounting profession must guarantee to take steps in gaining information and proposing effective models for the control of the quality of professional services; accordingly, an analysis of the systems currently in force must be conducted in order to propose truly qualified control models;
- 6) the economic and accounting profession must adopt a flexible approach towards the introduction and resort to new technologies; in this sense, it must be stressed that the use of technologies allows professionals to increase or improve the effectiveness of their practice, since it can be performed in less time and with data processed with advanced technology. Their use also carries innovation, introducing new consulting opportunities to offer to public or private enterprises;
- 7) the economic and accounting profession must strive for a homogeneous international qualification that identifies educational standards and professional skills known and acknowledged at worldwide level;
- 8) to conclude, efforts must be made in order for CILEA to be recognized at international level, especially before the bodies that represent the profession at worldwide level.

**VII.** For these issues and objectives, the intellectual professions of Latin origin can – or rather must - play an important role; professions which, as mentioned, enjoy more complex and broader educational routes, as well as a regulation based on the principle of guarantee of public faith as the prerequisite for the safeguard of general social interests.

To conclude, the ability to make globalization an opportunity instead of a threat, depends on the power to control its working and reproduction mechanisms.

Intellectual capital, especially the form it takes in the field of professions, must be considered the main source of guarantee for a development that intends to be truly sustainable, and the main vehicle to perform the control required for the objective to become truly achievable.

Once again, one must underscore the role of professionals in the new international society in the third Millennium: a true social party, not only a mere technical element.