

STORY

MARK ABERNETHY

# The International Innovation Network



## Sharing of technology is going global thanks to a world-first initiative

It's not every day that accountants are accused of being on the 'leading edge' of international advances in intellectual property (IP) and innovation. For decades the accounting profession has agonised over intangibles such as IP and how to properly allocate value to it on balance sheets.

But confusion about intangibles was decidedly absent when representatives of 17 national organisations of accountants sat down in New York in the last week of July and signed off on an International Innovation Network (IIN) – an idea so ground-breaking that there's no model for how it will work.

"It's a unique experiment," says the head of strategy and innovation at the ICAA and Australia's board member on the IIN Allen Blewitt. "The accounting profession is doing something that no other profession has attempted."

The IIN was inaugurated in New York and has its management company in London. It's made up of accounting professional bodies representing Argentina, Canada, the United States, Austria, Belgium, England, Scotland, Ireland, France, Germany, Italy, The Netherlands, Spain, Australia, India, Hong Kong and Japan.

Its goals are to provide a global network of accounting bodies that act as a single platform for vetting applications, methodologies and software for business and accounting purposes.

The IIN will act as a single distribution point for accountants in all those member countries; members of the relevant organisations will be able to make their own applications available for licensing and the end-user organisations will be able to use the IIN as a one-stop agent for licensing

agreements on the applications and software they wish to use.

It's ambitions are huge given the concept of a profession-specific clearing house for technology that accesses more than one million accountants.

"This is a classic example of how globalisation can work," says Blewitt, who was on the six-person coordination committee that took the IIN concept from idea to signatories. "It does two things for Australia – firstly, the smaller players and technology partners that they're developing their software with have access to a million accountants around the globe. They have an instant market."

"Secondly, all these smaller firms in Australia have access to the latest and best technology being developed by and for the accounting profession."

"I'm expecting that we'll start as a net receiver of technology but then it'll turn around and Australia will be a contributor."

Blewitt says that the IIN concept is a win-win scenario from a number of perspectives. In particular, he likes the idea that the concept allows small-to-medium enterprises (SMEs) to partake in the globalised technology markets.

For years, the big accounting firms – often in conjunction with the big IT consulting firms – have developed their own proprietary technologies for everything from audit to valuations. Once proven in one territory, these technologies are then disseminated throughout the big-firm networks but rarely outside, except when they're deployed in big-business clients as the 'black-box' approach. Small accounting firms have not had such economies of scale to justify the research and development (R&D) costs.

Rather than guarding technologies and methodologies, the IIN allows, for instance, the Federacion Argentina de Consejos Profesionales de Ciencias Económicas to access a world's-best consulting tool that has been developed by the Hong Kong Society of Accountants.

The Argentine accountants' body then distributes the technology to its member small firms for use on a licensed basis. The small firms in Argentina get access to the technology they need and the firm in Hong Kong that developed the technology can get paid for it, thus creating a business model for developing technology that goes beyond simply making their own firm more efficient.

Such technologies could extend to delivery of advisory services, audit, measurement, performance, attesting and even recruitment tools, says Blewitt.

There is also the problem of innovation commercialisation – the hardest and most expensive part of new technologies – that is at least partly solved by the IIN.

Free of some of the pressures that blight the commercial distribution system

for new technologies, small developers will have more seamless access to exactly the people who will be interested in their accounting products.

Of course, no idea so big can operate so simply. Blewitt says that while the IIN is a network and a disseminator of IP and overseer of licenses, it will also have to act as an assurance agency.

"There will be layers of due diligence – the national accounting body in question will have to vet the product and accept it before it can be accepted by the IIN. Then the IIN does its own due diligence before it's made available on the network. All innovations accepted on the IIN platform will have to have come from a member body."

The IIN will have three roles, says Blewitt: that of developer, broker and network facilitator.

The network will have to be managed to run efficiently, and the broker's fee for

the WebTrust and SysTrust products provide assurance on such matters as privacy, data integrity and security for large and small applications.

This is the heart of the IIN, says Blewitt. Although there are exciting possibilities in the concept, he says the IIN members are mindful that traditional accounting standards and practices have lost credibility lately due to the profession's role in corporate fiascos.

The role of the IIN, he says, could be to show leadership and develop new assurance models for the public.

"I was in New York when the Sarbanes-Oxley Bill [establishing the new US Public Accountability Office that oversees accountants] was being passed. It persuaded me of the need for the profession right now to be shown to be leading because, quite frankly, the traditional accounting services are losing credibility. In the US, traditional accounting is under threat."

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the IIN will be 5% of the royalty that the owner of the technology receives. Which leaves the role of developer.

Blewitt says the accounting profession is moving further into technology reliance and it needs a global body for vetting and distributing IT systems and applications. The IIN may also eventually turn into a developer in its own right to create and market technologies, especially where it sees untapped technologies.

Two of the foundation applications on the IIN menu are the revised WebTrust and SysTrust assurance products. Just as the profession once set standards for how audits and reporting must be conducted,

He says the loss of credibility in traditional professional assurance can be taken up by creating a new sense of assurance in the marketplace of tomorrow: the digital world.

The best things about the IIN? Its simplicity. The network operates as a commercial concern, with national bodies acting as the agents to the parent.

"In the simplest explanation of the network's benefits," says Blewitt, "you imagine a small firm and the small company they're developing an application in partnership with. They would never be able to access the world as a market but with the IIN, they can." CA