

The changing role of the accountant in Central and Eastern Europe

The accountant in Central and Eastern Europe has had a very special role in the transformation of the Central and Eastern European economies these past 15 years.

First I would like to mention that there are almost as many cultures as countries in this region and none are quiet the same although they might appear that way. Most of the region was historically dominated by two major regimes; the Habsburg and the Communist. Although the first lasted for a few hundred years and the latter only for forty or so, they had a major impact in the way their economies were organized, and actually not all were bad. The Habsburg Monarchy was driven from the often remote city of Vienna and thus a strong bureaucratic system was thoroughly installed to maintain the empire. The urge to use official documents and stamps abundantly originates largely from that period. But red tape was also a hobby in communist times, so both systems had similarities in that respect. The communist era left planning into the hands of politicians. The accountant was there for the control. Budgets were actually made by special politically focused company agents whom had their contacts in the Ministry of planning as to strike a good deal in terms of annual budget and targets. The accountant had to deal with the control in a painstakingly great detail. The saying here goes that for the tax authorities, pennies (hellers) count more than millions. In other words, the bigger picture is less important than the individual receipt.

With the major influx of foreign capital and investors in the nineties the role of the accountant started to change dramatically. First of all, every new company needed an accountant to do their local books, obviously in Czech language and Czech GAAP. But all of them had a different set of rules back home in Britain, France, the U.S. or Holland. And they all needed an accountant that at least could communicate

in English (or in case of the French, French of course.) You can imagine that with the lack of foreign language skills in those days, Russian was the main second language taught in schools, an accountant was a rare commodity to come by. And thus salaries rose considerably. An accountant was a well paid employee in the company and earned as much as GBP 300-400 per month. That amount has easily tripled in the last ten years.

Where international companies came in the focus on financial management and accounting considerably changed. This was not just a matter of different accounting standards or language. The whole planning and control cycle, the involvement of international reporting, exports, compliance, SOX, different tax regimes or cash flow management made its entrée. To take the latter as an example; payment was regularly upon receipt of an invoice. In the early days after the revolution, see it as a good inheritance of the former system, payment was normally received within seven to fourteen days after sending an invoice. Cash flow management was almost unknown in those days. Collection was either swift or hopeless, with almost no chance of possible legal steps to recover bad debt. As everything developed almost from scratch, actually most HR managers have evolved from either office management or finance because they were responsible for pay rolling and staff planning and employment contracts.

We now see another shift in developments. Local companies have matured and are now looking further east for expansion. So did the influence of German and Austrian companies increased as well as Russian investments. Central Europe and countries like Romania are becoming a centre hub for outsourcing financial services outside of India where skilled accountants have become a scarcity itself, so again financial people are becoming pivotal in structured growth and company development in this region.

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