



December 11, 2012

To: IFAC Professional Accountants in Business Committee (PAIB)
Re: IMA Comments on PAIB Strategy and Work Plan for 2013-2016

Thank you for the opportunity for me to provide initial comments on behalf of IMA (Institute of Management Accountants), one of the leading and largest associations in the world focused exclusively on advancing the profession of management accounting. IMA is not currently a member of IFAC and we do not have an advisory committee formed and/or PAIB committee member. Therefore, these views are reflective of my current role as President and CEO of a large global association who regularly interfaces with CFOs, but also in my past role as CFO of an \$18 Billion MNC (multi-national company).

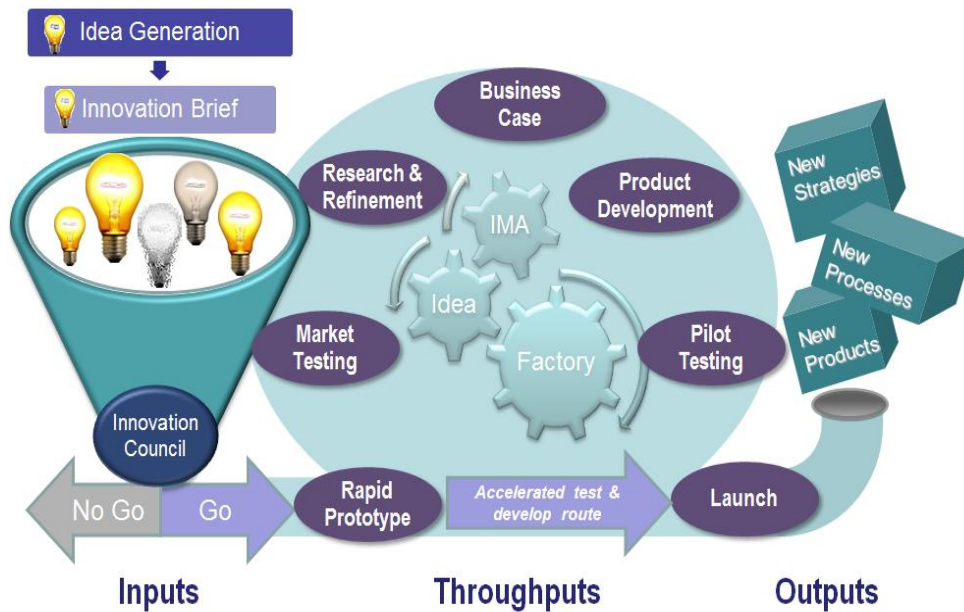
Generally, I find the strategy and work plan to be well thought out and comprehensive in nature. Well done. First, I offer a few general comments and then offer answers to the five specific questions you raise on page 3 of the Exposure Draft dated November 6, 2012.

- 1. While the current role of the CFO is important, a model to develop those competencies that include leadership and technical skills is a critical enabler to preparing future finance team leaders in very challenging times. I like to use the graphic below (Figure 1) to describe the CFO's roles which range from "conscience" of the organization (e.g., one version of the truth) to "catalyst" (e.g., helping to lead change).

Figure 1: The C-Framework for the Strategic Business Partner Role



2. I do not see much in the way of references to the **CFO’s role in innovation or technology enablement**. Regarding the former activity, please see the diagram below. Even if the CFO team is not technically leading the innovation, there are several activities where their role is critical, e.g., in developing the business case. As organizations face increasing environmental complexity (due to globalization, competition, economic conditions and more technology-savvy consumers), they are finding that innovation could lead to sustainable competitive advantage if ingrained into an organization’s key business processes and entrepreneurial culture. In the latter area (i.e., technology enablement), CFO teams regularly interface with their IT/IS counterparts in big system implementations (e.g., ERP, CRM), strategy development, business intelligence, and data mining (i.e., data and predictive analytics).



Model courtesy of Robert Tucker of The Innovation Resource Consulting Group

3. As you note on page 15, there is considerable opportunity for the **PAIB Committee to interface with other key IFAC committees to add value** to the profession and its members. For example,
- International Accounting Education Standards Board (IAESB) – In addition to developing a “CFO competency model,” there is a dire need at least in the U.S. to reform accounting education curriculum. According to CFOs and other employers of accounting talent, there is still a gap between what accounting educators teach and the critical competencies needed on the job (first articulated in the American Accounting Association’s



Bedford Report, 1986). The Pathways Commission report issued in August, 2012 by the AICPA and AAA (with IMA as an active member) addresses some of these issues longer term, and IMA is developing specific solutions to address this curriculum and talent gap challenge.

- b. International Ethics Standards Board for Accountants (IESBA) – The evolution of “Integrated Reporting” presents unique challenges for organizations and their CFOs. For “non-financial reporting,” one of the challenges relates to self-reported data and its relative accuracy/validity in informing shareholders and other market constituents as to the future sustainable value of the enterprise. With integrated or external corporate reporting, we “want it all” – disclosures that are concise, forward-looking, actionable, relevant, and balanced; a disclosures process that does not impose a “social tax” on organizations, especially SME (small and medium enterprises); and, highly ethical organizations who need to produce reasonable estimates and judgments in the area of non-financial KPIs (key performance indicators - lagging) and KRIs (key risk indicators – leading).

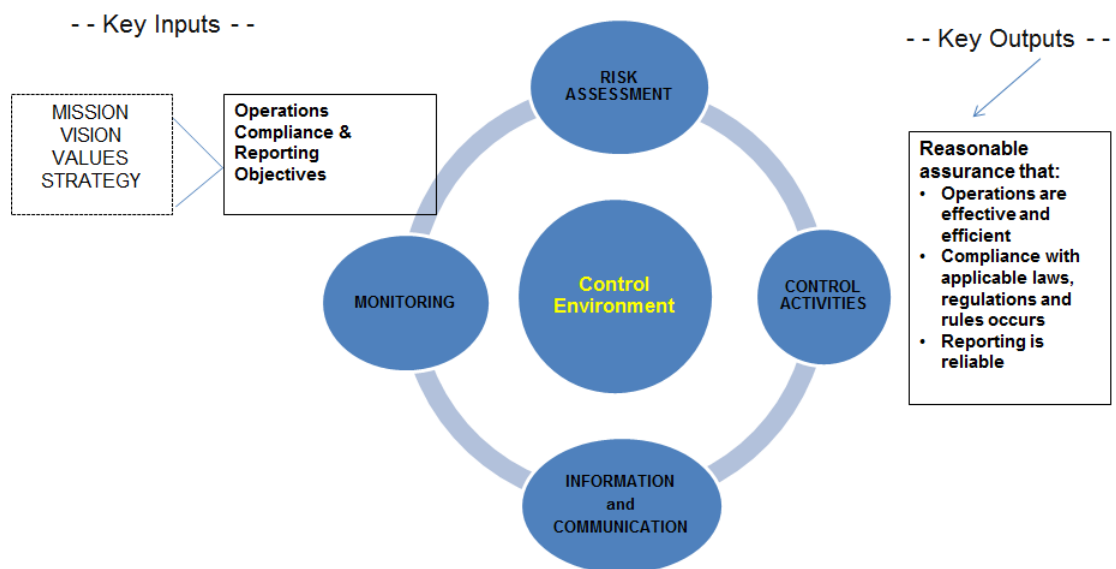
Answers to Specific Questions

1. *Do the proposed PAIB vision and objectives continue to reflect the best focus for IFAC to help its member organizations support their professional accountants in business”? Yes.*
2. *Do the six areas of focus continue to reflect the significant issues of importance to professional accountants in business in your jurisdiction? Generally, yes. As noted earlier, I did not see much reference to technology enablement and the professional accountant’s role. Additionally, although it may be subsumed within “financial and performance management,” I do not see any reference to strategic costing processes and methodologies to dollarize volumes for use in pricing decisions, new product or market deployment, resource allocation and optimization, etc. Some methods include Activity-Based Costing, lean accounting, Resource Consumption Accounting, standard costing, and more, applicable in both a service and manufacturing environment. I also believe that the area of strategic and business planning and the CFO’s role is far broader than financial and performance management. Finally, data and predictive analytics are evolving but critical competencies for today’s CFO team and should be separately identified, possibly in the “financial and performance management” knowledge domain.*

3. Do you agree with the proposed activities and projects on the work plan? Are there any gaps that would benefit from consideration at an international level? Are any important new developments missing? Overall, very comprehensive. As noted earlier, on page 20, while the **roles of the CFO and team are important, preparation for those roles is equally important and includes as enablers competency models, curriculum reform and more.** Having been a CFO business partner for many years, I really appreciate the phrase “... key themes that may be explored, such as understanding and balancing the tensions between ‘partner’ and ‘steward’ ...” IMA has a 20-year plus history of behavioral and other research relating to the role of the business partner, including early research collaborations with the AICPA and FEI.

Regarding the “desire for international convergence” on p. 21 referencing **ISO and COSO internal controls frameworks**, I believe that the end objective is misstated. Who is seeking convergence? What does convergence mean (remember the lessons of US GAAP and IFRS?), and, to what end? I believe that there are two broader goals that would better serve organizational and societal needs – 1.) Education, case studies, continuous learning, etc. that demonstrate risk management and internal controls are mutually dependent, key business processes supporting the overarching mission and strategic goals that lead to sustainable value preservation and creation (see diagram below; this integration is mentioned at the top of p. 22 of the ED);

Internal Controls – An Integrated Business Process





and, 2) Given that most organizations now believe that ERM (Enterprise Risk Management) can add value, but are still very low on the maturity curve, more case studies, thought leadership, and continuous learning on ERM as a key business process in practice is needed. As a simple example of the first point, good risk management is not possible without robust internal controls as one mitigation strategy to lower residual risk or seize new opportunities. Likewise, good internal controls (defined as effective and efficient) are not possible without a robust risk management process. An example is the early days of US Sarbanes-Oxley 404, where as many as 10,000 “key” controls were identified by some organizations in the absence of robust risk management processes.

My final point relates to **Integrated Reporting**, discussed on p. 23. The International Integrated Reporting Council (IIRC) has done a very good job at broadening the discussion beyond the balanced scorecard, ESG and sustainability reporting. It is very important, however, as leadership expert Stephen Covey would say, to “sharpen the saw” when it comes to defining the need for KPIs and KRIs beyond short-term, backward-looking and complex financial indicators. We need to avoid the tendency to throw everything into the hopper, aka the equivalent of a balanced scorecard for external corporate disclosures, without understanding the actual use and value of the non-financial information for various market participants (e.g., investors, analysts, rating agencies, intermediaries, etc.).

Regarding Integrated Reporting, it is very important to give market participants the information they really need to make informed decisions regarding an organization’s ability to sustain future growth and value. It is equally important not to “choke the lifeblood” out of organizations, especially SMEs (small and medium enterprises), in producing volumes of non-financial information with little, limited or inappropriate use to avoid integrated reporting becoming a social tax. In the US, the issue is exacerbated given the litigious environment. In any event, the role of the CFO in assuring directionally accurate, credible non-financial data with an appropriate level of internal controls is another evolving competency.

- 4. Are there proposed projects on the work plan that you or your organization would be interested in being involved in at the task force level? Yes, in particular, the evolving role of the CFO and professional accountant, competency and curricula models, business partner role, and, technical areas such as integrated reporting, risk management and internal controls, and more. Regarding risk*



The Association of
Accountants and
Financial Professionals
in Business

management and internal controls, IMA is a founding member of COSO and a very active, progressive board member. More recently, IMA became a member of the IIRC.

5. *How useful have the PAIB publications since 2010 been, ... What could the PAIB Committee do differently to increase the usefulness of its output and activities for member organizations?* The PAIB publications generally have been helpful and comprehensive in nature. At times, though, the publications have the feel of “consensus by committee” and to a CFO or CFO team, nothing significantly new or revealing but very nice diagrams with a consulting feel to them. It is very important that the research or thought leader piece truly leverage the diverse IFAC global member community for new thinking and insights. This starts with a well-defined research or learning objective. But again, overall the publications since 2010 have advanced the profession.

A significant part of the PAIB strategy and work plan relates to the **critical and evolving role of the CFO and their team. As part of the global strategic partnership between IMA and ACCA** (announced June, 2012), the two organizations have joined forces to produce highly relevant and comprehensive studies in this area. For example, in late 2012, the organizations produced [“100 drivers of change for the global accountancy profession”](#), [“The changing role of the CFO,”](#) and [“Finance leader’s survey report.”](#)

Please feel free to contact me with any questions or need for further information.

Sincerely,

A handwritten signature in black ink that reads "Jeffrey C. Thomson". The signature is written in a cursive, flowing style.

Jeffrey C. Thomson, CMA
President and CEO
IMA (Institute of Management Accountants)
(201) 474-1586
jthomson@imanet.org