

Date : 10 February 2014

International Federation of Accountants
529 5th Avenue, 6th Floor
New York, New York 10017

Dear Sir / Madam,

Discussion Paper – The Role and Expectations of a CFO

The Institute of Singapore Chartered Accountants (ISCA) is pleased to respond to the discussion paper issued by the International Federation of Accountants (IFAC) on *The Role and Expectations of a CFO*.

The Institute's response was established through our research surveys, forums and consultation with our members including our CFO Committee, which comprises eminent CFOs.

With over 28,000 members making their stride in businesses across industries in Singapore and around the world, ISCA is committed to equip our finance professional members with the knowledge and resources to effectively perform and better meet the demands of their roles. Of particular note, the Institute is proud to have more than 6,200 CFOs and senior finance professionals among its membership.

Please do not hesitate to contact me (cheokhong.yee@isca.org.sg ; + 65 6597 5602) or my colleague Ms Joyce Tang, Deputy Head Policy & Strategic Planning (joyce.tang@isca.org.sg ; +65 6597 5640), should you wish to discuss any of the points raised in the attached response.

Yours Sincerely,



Yee Cheok Hong
Executive Director, Policy and Strategic Planning/Industry Development
Institute of Singapore Chartered Accountants

**Comments Submitted by the Institute of Singapore Chartered Accountant (ISCA)
For the Discussion Paper – The Role and Expectations of a CFO**

Contents	Paragraph
Introduction	1–6
Responses to specific questions	
(i) What are the main requirements and expectations of CFOs and finance leaders?	7– 15
(ii) What are the implications for skills and competency needed?	16 – 21
(iii) What are the key actions for PAOs and employers to prepare professional accountants for finance leadership?	22 –28
(iv) What are the main factors for professional accountants to consider in striving for finance leadership?	29- 33
(v) What might regulators and other stakeholders do to influence the professionalism of finance leadership?	34-37

INTRODUCTION

1. In October 2013, IFAC issued a discussion paper on *The Role and Expectations of a CFO*. The paper featured five principles that highlighted the changing expectations, scope, and mandate of the CFO and finance leadership roles and recommended what action professional accountancy organisations and employers can take to prepare professional accountants for career progression to finance leadership. This discussion paper is designed to stimulate a global debate on preparing accountants for finance leadership roles, including CFO.
2. ISCA welcomes the opportunity to provide comments to the discussion paper, in particular, to the five questions set out in the paper.
3. Of note, the discussion paper is timely, and complements the recent efforts which ISCA has undertaken to better serve the needs of CFOs and senior finance professionals among the Institute’s membership.

4. As Singapore moved up the economic ladder, with increased standards of corporate governance and more companies engaged in cross-border activities, the roles of our CFOs and senior finance professionals have been transformed significantly over the past decade. To better understand the needs of CFOs and senior finance professionals, and to assist the Institute in serving this group of members, ISCA conducted a CFO Survey in September 2012. The survey received strong response from the CFO community.
5. Published in the Institute's survey report "Beyond Finance: Competencies for the Modern CFO"¹, the findings have helped to provide important insights about the key performance objectives, work responsibilities and competencies expected of our CFOs and senior finance professionals, and the training resources which they would welcome from the Institute.
6. The Institute's response in this submission has been informed, to a large extent, by the insights gathered from this CFO survey. The response has also been informed by other research surveys conducted by the Institute, as well as through forums and consultation with our members, including ISCA's CFO Committee which comprises eminent CFOs.

FEEDBACK ON DISCUSSION QUESTIONS

(i) What are the main requirements and expectations of CFOs and finance leaders?

7. A rapidly changing and fluid business environment, increasing regulatory complexity and demands, and globalisation increasingly mark, if not define, the landscape in which our CFO and senior finance professionals operate. This has heightened the need for CFOs and finance leaders to be strategic business partners to their CEOs and Boards, in helping their organisations navigate such challenging circumstances, better manage business risks, and create value.
8. That said, the accounting profession should not underestimate or diminish the traditional role of CFOs being the financial stewards of their organisations. In the light of greater demand for transparency and accountability, especially post Enron or even Lehman, CFOs serving as a financial steward and gatekeeper, coupled with the highest degree of ethics and integrity, remains a core role for many business organisations.
9. To stay relevant, however, the modern CFOs have to be prepared to take on an enlarged role, beyond and above that of the traditional stewardship. Based on feedback, the ISCA has identified a few key roles that a modern CFO has to increasingly play.

¹ <http://research.isca.org.sg/isca-cfo-survey-beyond-finance-competencies-for-the-modern-cfo/>

10. First, the modern CFO is expected to be a **trusted advisor** to the board of directors by providing sound financial insights and advice to facilitate the board to make informed decisions about critical strategic issues.
11. Second, the modern CFO is also expected to be a **strategic business partner** working closely with the CEO and the senior management team to develop and promote new strategies that create value for the organisation and shareholders.
12. Third, the modern CFO should be a **driver of shareholder value** by proactively managing business capital structure, and generating and using cash optimally.
13. Fourth, the modern CFO should be a **calatyst for business performance** by delivering insights into business performance to provide greater visibility and understanding of performance.
14. Fifth, the modern CFO should be a skillful **relationship manager**, adept at building and managing relations with both internal and external stakeholders such as the management team and investors.
15. Last but not least, the modern CFO should be a **talent manager** tasked with building and ensuring that a sufficient number of finance professionals are available to support business goals and where appropriate, groomed for senior roles in the organization.

(ii) What are the implications for skills and competency needed?

16. As set out in the earlier paragraphs, the role of the modern CFO has now expanded significantly to take on a broader strategic hue. From a financial steward charged with the responsibilities of financial reporting, compliance and controls, he is now also seen as a strategic business partner involved in strategy development and value creation. This has serious implications in terms of the skills and competencies which he should also possess or be equipped with so as to effectively fulfill this enhanced role.
17. The modern CFO now needs a broader repertoire of skills and competencies, beyond the traditional ones in finance and accounting. He is more than just the financial expert amongst the senior management team. Leveraging on his financial and technical expertise, he also needs to complement the CEOs in strategic planning and decision making. This requires **the CFO to be a strategic thinker, with an intimate understanding of the business, and a good communicator.**

18. Based on ISCA's CFO Survey which ranks the top CFO's competencies, strategic and soft skills rank higher in importance to CFOs. The survey indicated that the majority of **CFOs rate C-suite skills more important than technical skills**. Respondent CFOs pointed out the need to be skilled in strategic management to become effective business partners to CEOs. About 82% of CFO respondents indicated such skills are very important or critical to their roles as CFOs.
19. Leveraging his strong grasp of the organisation's finances, the modern CFO is well placed to provide a financial perspective on the organisation's business plans and strategies. To perform his enhanced role as a strategic business partner, however, the CFO will need to acquire a strong **commercial and business acumen** and build up his competency in **strategic business planning**. This will enable him to relate to business issues and provide relevant financial insights and analysis to the CEO as they, together with the rest of the senior management team, develop business strategies that create value for the organization and shareholders.
20. To help the CFO now manage a wider audience which includes the board of directors, senior management team, investors, stakeholders and staff, he must develop the skill to translate complex financial metrics into readily understood business perspectives and clearly articulate them to the board and senior management team, present the organization's performance and value-creation to investors and stakeholders, as well as establish meaningful relationships with both internal and external stakeholders and, above all, influence decision making. Hence, excellent **communication and interpersonal skills** are important to the CFO.
21. The findings in the ISCA CFO Survey also rank the top 10 important areas which CFOs would welcome additional training. These reflect the need for modern CFOs to develop multiple competencies to succeed in today's shorter business cycle environment. In addition to strategic business planning and communication, these areas include **decision-making, leadership, corporate governance, negotiation, risk management regulatory knowledge as well as industry domain knowledge**.

(iii) What are the key actions for PAOs and employers to prepare professional accountants for finance leadership?

22. We agree with the recommendations set out in the discussion paper for Professional Accountancy Bodies (PAOs) and employers to play a key role in the grooming of CFOs and finance leaders.
23. Given the broad range of skills set that a modern CFO should have, the training and development of a CFO can be best described as a journey. In broad, the Institute views the journey as consisting of three main phases, with one transcending and girding the other two. In the first phase, the focus would be on developing the core skills of professional accountants in accounting and finance, regulatory compliance and financial reporting to serve as financial stewards of the organisation. This phase could also see our professional accountants acquiring skills in corporate finance and treasury. Having acquired these core competencies, the focus in the second phase would be on developing the C-suite strategic and soft skills such as communication and leadership to enhance their role as a business partner.
24. Transcending and girding these two phases, there should be a clear focus to reinforce and uphold the importance of ethics and integrity in our professional accountants, as they move up the rungs of finance leadership. A firm grounding of ethics and integrity in the early years of their careers is essential to provide the strong foundation upon which our professional accountants can continue to remain objective and ethical as they wear more, and sometimes conflicting, hats in tandem with moving up the finance leadership and, at the same time, playing the role of a strategic business partner to the CEO and the senior management team.
25. To prepare professional accountants for finance leadership, PAOs can play a key role by establishing a CPE framework, or a CFO development framework, which provides the continuum of education and training in the areas of focus mentioned earlier. To help those PAOs which are well less resourced, IFAC could consider tapping on those more well established ones to formulate and provide some guidance on how such a framework could be developed, established and implemented.
26. Beyond structured and unstructured training with an applied focus, PAOs can organise regular networking sessions for CFOs and aspiring CFOs to facilitate the exchange of best practices, ideas and knowledge amongst members. PAOs can also organise CFO mentoring programmes aimed at providing young members the opportunity to learn from experienced CFOs, and, in turn, providing senior members a platform to share their experience and groom the next generation of CFOs. To keep CFOs and aspiring CFOs abreast of the latest developments and emerging trends in CFO and finance-related issues, PAOs can also organise thought leadership seminars and events for these members. PAOs can also provide online resources through which professional accountants can access thought leadership publications, tools and guidance materials, including those on professional conduct and ethics.

27. For those PAOs with sufficient resources, they can also establish CFO Committees to provide expert advice and help drive their efforts in preparing their professional accountant members for finance leadership.
28. Similarly, employers can play a key role to prepare their professional accountants for finance leadership by establishing a structured finance management development programme, where feasible. Through such a programme, their professional accountants can be provided the opportunities to deepen their technical skills in accounting and finance; broaden their skill sets to include strategic business planning, leadership and management, and other soft skills; be assigned job rotations to various departments within the company, whether locally or overseas, to develop and hone their business acumen; and be mentored by senior colleagues. Such a programme will not only help ensure that there is a sufficient pool of talented finance and accounting professionals to support the organisation in achieving its strategic goals, but also serve to attract, recruit and retain these talented professionals in the organisation.

(iv) What are the main factors for professional accountants to consider in striving for finance leadership?

29. To strive for finance leadership, professional accountants would need to consider, at least, four main factors.
30. To remain relevant to the market, professional accountants should, first and foremost, keep an open mind on the roles and expectations placed upon the profession. They need to adapt to and embrace changes in these roles and expectations as they evolve in a fast and constantly changing world which is re-defining how business is conducted, work is done and the way people interact.
31. Second, in their early years, they should strive to develop a firm foundation in finance and accounting areas which will carry them far in their career. This serves as a core competency which they can leverage to their advantage, in terms of their value-add, differentiating them from others, and an enabling tool to earn and command finance leadership.
32. Third, they should, at the appropriate time, seek out opportunities to learn and acquire broader skills beyond accounting and finance so as to give themselves the requisite varied commercial and business exposure. This will greatly help them in broadening their horizons, honing their business acumen as well as developing a better understanding of how the company's finances are linked to the business model. Such opportunities could take the form of structured and unstructured courses, and include seeking out an experienced mentor.

33. Beyond these, and constituting the most crucial factor in our view, the professional accountants should continue to acquire a deep and strong grounding of ethics and integrity. In tandem with moving up the finance leadership, he is likely to wear an increasing number of hats, which sometimes could be conflicting, such as being a gatekeeper and at the same time a friendly business partner. Hence, there will be a greater need for him to remain objective, and if necessary, be bold to take the contrarian view so as to safeguard the interest of the organisation and its stakeholders. This could serve as his key distinguishing mark from the other finance professionals as he strives towards finance leadership.

(v) What might regulators and other stakeholders do to influence the professionalism of finance leadership?

34. As one key way to influence the professionalism of finance leadership, the Institute believes in acknowledging the value of CFOs, recognizing their individual excellence, promoting good practices, and strengthening the branding of the profession and industry.

35. The Institute has been working closely with the securities exchange and other relevant stakeholders for the “Best CFO Award”, which is one of the awards under the auspices of the Singapore Corporate Awards to recognise and acknowledge the best in financial leadership in publicly-listed companies. Specifically, the stakeholders include the Singapore Stock Exchange (SGX), the Singapore Institute of Directors (SID), the Investment Management Association of Singapore (IMAS) and the Securities Investors of Singapore (SIAS).

36. The objective is to recognise CFOs who play the important supporting and advocacy role in promoting good governance, disclosure and transparency, acknowledge CFOs who are exemplary role models in corporate financial disclosure by going beyond the regulatory financial reporting requirements and recognise CFOs who help create long-term shareholder value.

37. Such recognition aim to positively influence and promote good practices in the finance community, thus raising the bar of financial leadership to a higher level.

38. Another possible means to influence the professionalism of finance leadership is for stakeholders such as the professional bodies and employers to encourage the certification and accreditation of the finance skills which the finance professionals acquire during their earlier years. Employers should also be encouraged to recognize and reward those who are suitably certified or accredited. This will help raise the overall standards in the area of the profession. Beyond this, however, as they move up the rungs of finance leadership, the broader C-suite skills will take on greater prominence and will be difficult to certify or accredit.