

Discussion Paper: The Role and Expectations of a CFO

A Global Debate on Preparing Accountants for Finance Leadership

A global debate among professional accountancy organizations, employers of professional accountants, and other stakeholders on the key implications of the changing expectations of CFOs for the education, training, and development of professional accountants.

Objectives:

The objectives of establishing a principles-based framework for understanding the changing expectations, scope, and mandate of the CFO and related roles are to:

- capture the key requirements and expectations of the CFO role and highlight what professional accountants need to do to prepare for leadership roles in finance;
- support professional accountancy organizations (PAOs) and employers in their efforts to prepare professional accountants for career progression to finance leadership; and
- highlight the benefits of a professional accountant serving as the CFO.

How To Participate:

IFAC will use the Discussion Paper in conjunction with outreach to initiate a global debate among PAOs, professional accountants, and other stakeholders. Respondents can also submit their comments electronically through the IFAC website, using the “Submit a Comment” button on the [Discussion Paper page](#) (in Publications & Resources).



Participating in the Global Discussion

The increasing expectations of CFOs and finance and accounting functions apply to commercial as well as government and public sector organizations.

Upcoming Forums and Events:

IFAC PAIB Forum

October 16, 2013

Beijing, China

Offices of the Chinese Institute of CPAs

IFAC Council Seminar

Financial Reporting Supply

Chain Session

November 14, 2013

South Korea

Who Should Participate

IFAC encourages a global dialogue involving a broad range of stakeholders, including:

- PAOs and employers, who prepare accountants for finance leadership;
- Regulators, who are striving for well-governed organizations and market integrity; and
- Professional accountants, who need to consider how to develop the necessary competences for finance leadership, such as through appropriate education and experience, as well as lifelong learning.

The Discussion Paper supplements outreach through forums to facilitate discussion and closer relationships between professional accountants, PAOs, employers, regulators, and other stakeholders.

Discussion Questions

IFAC seeks responses to the following questions:

1. What are the main requirements and expectations of CFOs and finance leaders?
2. What are the implications for skills and competency needed?
3. What are the key actions for PAOs and employers to prepare professional accountants for finance leadership?
4. What are the main factors for professional accountants to consider in striving for finance leadership?
5. What might regulators and other stakeholders do to influence the professionalism of finance leadership?

Five Principles Guiding the Role and Expectations of the CFO

- A. Be an effective organizational leader and a key member of senior management
- B. Balance the responsibilities of stewardship with business partnership
- C. Act as the integrator and navigator for the organization
- D. Be an effective leader of the finance and accounting function
- E. Bring professional qualities to the role and the organization





CFOs Have Never Been More Stretched and Scrutinized

In addition to being the financial gatekeeper, CFOs are now expected to participate in driving an organization toward achieving its objectives. As part of the leadership of the organization, CFOs are expected to increase their support of strategic and operational decision making in a “business partnering” capacity in addition to fulfilling traditional stewardship responsibilities relating to governance, compliance and control, and business ethics.

CFO Responsibilities

- Demonstrating ethical leadership and business integrity
- Balancing short-term concerns and pressures, such as managing cash, liquidity, and profitability, and long-term vision and sustainable organizational success
- Fulfilling stewardship responsibilities by ensuring effective compliance and control and responding to ever increasing regulatory developments, including financial reporting, capital requirements, and corporate responsibility
- Sharing strategic leadership responsibilities with the chief executive officer (CEO) and other senior managers and ensuring the finance and accounting function supports the business at a strategic and operational level
- Driving and managing change and innovation within the organization
- Engaging and communicating effectively with colleagues, investors, customers, suppliers, regulators, and other internal and external stakeholders

To fulfill these various expectations, the contemporary CFO is increasingly focused on being a key organizational leader and communicator, which requires a strong professional and ethical foundation. Given their professional education and training, and relevant career experience and aptitude, professional accountants in CFO and related finance leadership roles should be well placed to manage the requirements of varied expectations and responsibilities.



What Are Finance Leaders Saying?

A good CFO should be at the elbow of the CEO, ready to support and challenge him/her in leading the business. The CFO should, above all, be a good communicator—to the board on the performance of the business and the issues it is facing; to his/her peers in getting across key information and concepts to facilitate discussion and decision making; and to subordinates so that they are both efficient and motivated. Other priorities for a CFO are to have strength of character, personality, and intellect. I take it as a given in reaching such a position that an individual would have the requisite technical knowledge and financial skills.

—James Riley, group finance director and executive director, Jardine Matheson Holdings Ltd.

With the move toward business partnering, there is a potential threat to finance professionals as they may lose objectivity. However, this should not be a concern where the organization's finance staff are professional accountants and retain their membership in an accounting institute, complete their continuing professional development obligations, and comply with its professional code of ethics.”

—Keith Luck, strategic programmes director, Serco plc and deputy president, Chartered Institute of Management Accountants

CFOs have to position themselves as primary drivers of corporate strategy along with CEOs. They have to work as a strategist rather than a tactician to ensure the financial health and sustainability of their organizations and, most importantly, to ensure that shareholder expectations are met.

—Dr. Murtaza Abbas, CFO, Siemens (Pakistan) Engineering Company Limited

The CFO is the key person in supporting management teams to make strategic decisions on how the organization will sustainably create value. Although providing financial and non-financial information and analysis is part of the role and plays to the traditional strength of professional accountants, a CFO is expected to contribute to strategic and management thinking as the partner to the business unit heads. At the end of the day, the organization and CFO are judged on the success or failure of the strategic choices made.

—Ed Lam, chief financial officer, Li and Fung

The broad-based experience acquired by a professional accountant is sound preparation for the CFO to lead the integration across the entity, supporting the alignment of resources with strategic choices and ensuring the organization understands fully the performance and outcomes of such choices as part of a continuous review cycle. The forthcoming integrated reporting requirements will be a new challenge for us all in helping organizations understand and embrace the spirit of sustainable thinking and actions.

—Alan Johnson, CFO, Jerónimo Martins

What Can PAOs and Employers do to Prepare Finance Leaders?

The accountancy profession and employing organizations can take various actions to help professional accountants leverage their technical knowledge and professional skills, and prepare for a strategic leadership role.

From an individual perspective, professional accountants need to consider how to develop the necessary competences for finance leadership, such as through appropriate education, experience, and lifelong learning all of which can be enhanced through mentoring and coaching, working closely with others, and networking.

PAOs

- Targeted governance and support structures are needed to more effectively engage with and represent professional accountants in business. PAOs can provide useful services to help them prepare for senior finance leadership positions
- Identify and address significant gaps between the skills organizations expect of their CFOs and finance leaders and the qualification and professional development of professional accountants
- Proactively engage with employers and business communities to understand their needs and requirements and facilitate employers' understanding of the benefits that professional accountants can offer in CFO and senior finance roles
- Ensure that the scope of qualification and training of professional accountants incorporates broader professional and interpersonal capabilities and skills, which will need to be further developed and refined throughout a career. PAOs have an essential role in fostering a commitment to lifelong learning among professional accountants.

Employers

- Develop closer relationships with PAOs and other education providers to help ensure that professional accountants are able to provide effective support and maximize their potential and the value they add to the organization
- Develop human resources development strategies that respond to the complexity of global finance and accounting functions that might spread across geographies and, therefore, need to deal with language and cultural differences, and virtual teams located disparately
- Ensure that investments in training and development go beyond developing technical skills, particularly for prospective finance leaders. Placements around various parts of the organization help provide wider business understanding.