

# The Value of the Modern CFO – CEOs' Perspective

*CEOs of SMEs speak up*

A SINGAPORE CFO INSTITUTE-ACCA ROUNDTABLE DISCUSSION COMMISSIONED BY THE SINGAPORE  
ACCOUNTANCY COMMISSION (TO BE ENACTED VIA LEGISLATION)

OCTOBER 10, 2012

## ACKNOWLEDGEMENTS

The Singapore CFO Institute and ACCA thank the participants of this roundtable discussion for sharing their valuable experiences and insights.

## PARTICIPANTS

The Singapore CFO Institute and ACCA would like to thank the following participants for contributing generously their time and ideas to this roundtable discussion:



Ms Goh Min Yen  
Managing Director/ Executive Chairman  
Eng Wah Global / The Legends Fort Canning Park

Mr Joseph Ang  
CEO  
Natural Cool Holdings Ltd

Mr Keith Magnus  
Chairman and Head  
UBS Investment Banking

Mr Lim Lian Soon  
CEO  
Sin Ghee Huat Corporation Ltd

Mr Loh Hoon Sun  
Managing Director  
Phillip Securities Pte Ltd

Ms Ong Siew Kim  
Senior General Manager  
DP Information Group

Mr Loh Uantchern  
CEO  
Singapore Accountancy Commission  
(to be enacted via legislation)

### FACILITATORS:

Mr Chiew Chun Wee  
Head of Policy (Asia-Pacific)  
ACCA

Mr Holger Lindner  
Member  
Advisory Council  
Singapore CFO Institute

## CONTACT

For any queries regarding this report, please contact:

Singapore CFO Institute  
Low Han Siong  
Principal Manager  
Contact number: +65 6325 0529  
Email address: low\_han\_siong@acra.gov.sg

ACCA Singapore  
Joseph Alfred  
Policy and Technical Advisor  
Contact number: +65 6637 8182  
Email address: joseph.alfred@accaglobal.com

The information contained in this publication is provided for general purposes only. While every effort has been made to ensure that the information is accurate and up to date at the time of going to press, the Singapore CFO Institute and ACCA accept no responsibility for any loss which may arise from information contained in this publication. Quotes from participants may be paraphrased.

No part of this publication may be reproduced, in any format, without prior written permission of the Singapore CFO Institute and/or ACCA

© Singapore CFO Institute, ACCA November 2012

## ABOUT SINGAPORE CFO INSTITUTE

---

The Singapore CFO Institute is a platform for CFOs and aspiring CFOs to connect, learn and celebrate their roles in business and the community. The SCFOI's working philosophy of being 'An institute for practitioners, by practitioners' ensures the relevance of its activities. The SCFOI is supported by the Singapore Accountancy Commission (to be enacted via legislation).

[www.cfoconnect.sg](http://www.cfoconnect.sg)

## ABOUT ACCA

---

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies in all stages of development. We aim to develop capacity in the profession and encourage the adoption of consistent global standards. Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business.

We work to open up the profession to people of all backgrounds and remove artificial barriers to entry, ensuring that our qualifications and their delivery meet the diverse needs of trainee professionals and their employers.

We support 154 000 members and 432 000 students in 170 countries, helping them to develop successful careers in accounting and business, and equipping them with the skills required by employers.

We work through a network of 83 offices and centres and more than 8,500 Approved Employers worldwide, who provide high standards of employee learning and development.

Through our public interest remit, we promote the appropriate regulation of accounting. We also conduct relevant research to ensure that the reputation and influence of the accountancy profession continues to grow, proving its public value in society.

# Content

---

<b>Executive Summary</b> .....	<b>4-5</b>
Purpose of Discussion .....	4
CEOs of SMEs speak up .....	4
CEOs views .....	4
The Framework .....	5
Key Conclusions .....	5
<b>Roundtable Discussion</b> .....	<b>6-17</b>
Value.....	6
Structure of Company.....	6
CFOs of SMEs .....	7
CEO's role in developing CFO .....	9
CFO-CEO interactions.....	9
Asian Perspective.....	10
CFO to CEO .....	10
Critical skills and knowledge .....	11
Accountant or Non-Accountant .....	12
Managing Risks .....	14
Rule 1207(10).....	14
Attributes & Competencies of the IDEAL CFO .....	15-16
Advice from CEOs .....	17
<b>Conclusion</b> .....	<b>18</b>

## PURPOSE OF DISCUSSION

As has been noted in the media and various research publications, Chief Financial Officers (CFOs) are now expected to go beyond their traditional role of merely balancing the books to a broader role of managing risks, preserving liquidity, maintaining shareholders' confidence and effectively being a key value driver in the business. ACCA, in various research studies, sees much evidence of an evolving and much wider role for CFOs<sup>1</sup>.

There is also a strong push for CFOs to operate as strategic partners within the business as Singapore focuses its efforts on transforming itself into a global accounting hub for the Asia-Pacific by 2020. The Singapore CFO Institute plays a key role in developing the skills sets and professional standards of existing and potential CFOs through training programmes and timely guidance

To meet the institute's aspirations of developing relevant and effective training programmes, a key question needs to be addressed: What are the attributes, competencies, specific actions and deliverables expected from the CFO in the near future by various stakeholders?

To answer this question, the Singapore CFO Institute and ACCA conducted roundtable discussions with directors and Chief Executive Officers (CEOs). In part one of our study we obtained directors' perspectives on the value of the modern CFO. The findings were published in the report entitled *The Value of the Modern CFO – Board Directors' Perspective*<sup>2</sup>. The reader will enjoy a wider perspective and a better understanding of the background if the current report is read in conjunction with this previously published report. This report covers 'part two' of the research project, in which the views of CEOs was sought on the value of the modern CFO.

This report highlights some of the similarities and differences of opinion expressed at the two roundtables. While there were quite a number of similarities with the comments obtained in part one, there were also interesting differences.

## CEOs OF SMES SPEAK UP

Many research studies on CFOs have focused mainly on big listed companies. While there was representation from larger companies at this roundtable, there was also a strong representation from CEOs of SMEs. It became clear during the roundtable that their voice needed to be heard. Some focus was therefore given to the role and value of CFOs in SMEs. This resulted in interesting exchanges which highlighted differences in the role of the CFO in large and small companies; and the unique issues that SMEs face.

Similar roundtable discussions on the value of the modern CFO were also conducted in China by ACCA recently<sup>3</sup>; in Beijing, Shanghai and Shenzhen through September and October. Many of the conclusions derived from these roundtable discussions resonate with the key conclusions in this report. One area that did not receive much attention was the role of CFOs in SMEs. In fact, it was believed that SMEs could not provide the environment to allow CFOs to fully utilise the attributes and competencies of the ideal CFO. The views in this report take a contrary view and most participants argued that the work and scope of CFOs in SMEs can be as challenging as any in larger companies. In fact, one participant expressed the view that an SME could provide a better training ground than a larger company for a CFO.

## CEOs VIEWS

In this roundtable, ACCA zoomed-in on the views of CEOs. Through numerous day-to-day and 'closed-door' private interactions with CFOs and at Board meetings, CEOs are in a unique position to review, reflect and offer a close-up assessment of the value that a CFO delivers and make recommendations to enhance this value further. On the other hand, this report provides an opportunity for CFOs to effectively 'listen' to a panel of seven CEOs on how they can work with their CEOs more effectively and better command the respect of all stakeholders.

---

<sup>1</sup> Various studies, including *Accountants for Business: Building a Better Business through Finance Diversity*, ACCA, 2012.

<sup>2</sup> *The Value of the Modern CFO – Board Directors' Perspective*, Singapore CFO Institute-ACCA, 2012.

<sup>3</sup> *The Role of the CFO in China*, ACCA, in-press.

### THE FRAMEWORK

The feedback from the roundtable discussion has been analysed to fine-tune an evolving Framework of the attributes and competencies of an 'ideal CFO' (see page 16). It outlines the necessary pathways that CFOs and aspiring CFOs can look upon to meet their professional development needs.

This Framework, which was originally formulated by CFOs, was validated in 'part one' of the research, where views were sought from directors. With this roundtable, it has now been also endorsed by CEOs.

### KEY CONCLUSIONS

The key conclusions from CEOs at this roundtable were as follows:

1. Participants generally agreed that the CFO provided immense value to them and the organisations that they serve.
2. Over a longer term, it may be realistic to expect that the value of the CFO depends not only on the industry and the company; but also on economic cycles. CFOs are much more valued when businesses are facing economic difficulties.
3. CFOs will need to have a close and cordial relationship with the CEO and other stakeholders and not be a 'destabiliser'. He or she has to support the same vision as the CEO.
4. It was noted that the term 'CFO' has often been used casually to apply to persons who do not necessarily perform the CFO role. (This suggests that there might be some need to restrict the use of the term, although this was not specifically addressed at this roundtable.)
5. It was generally agreed that the CFO was best placed to be the central co-ordinator of risk management and assessment activities although he or she is not expected to be an expert in specific, particularly, non-financial risks. In this connection, there were concerns expressed on whether CFOs currently were in a position to assess operational risks, as required by SGX rule 1207(10). Several participants considered the rule a 'blunt instrument'.
6. There was a call for CFOs to enhance their knowledge of debt and equity capital markets.
7. It was felt that the CEO and the Board were important in helping the CFO attain his or her true potential by empowering and sharing information with the CFO.
8. From a cultural perspective, it was suggested that some Asian Board members could perhaps handle confrontations in a more professional manner and constructively by not letting it spill over into the personal arena. This would allow a freer exchange of views between CFOs and other Board members.
9. It was felt that the CFO should be consulted early even in areas that, at the outset, do not appear to require him to be involved, e.g. procurement and other operational activities; in order to identify and manage the financial implications and effects.
10. In respect of larger companies that are adequately supported by technical resources, CFOs need not be restricted to qualified accountants. However, for SMEs it was felt that it would be critical for the CFO to be trained as an accountant.
11. It was believed that the attributes and competencies of CFOs in SMEs should be no different from CFOs in larger corporations.

An evolving *Framework* setting out the attributes and competencies of the ideal CFO has been set out on page 16.

The roundtable began by identifying what each CEO at the roundtable values in today's CFO. It then discussed some current matters: teamwork between CEO and CFO, the CFO as a Chief Risk Officer (CRO) and also views on whether the CFO should be accountant-trained. Cultural factors were also touched upon. The 'matters of interest', identified in the previous roundtable for further discussion, were addressed at this roundtable. Participants then proceeded to review the Framework relating to the Ideal CFO and suggested enhancements.

### VALUE

The participants generally agreed that CFOs bring immense value to their organisations. Various participants cited different areas in which CFOs provide value.

This included the value of the CFO in:

- acting as a gatekeeper to the company's resources
- providing an independent view on how the company's resources should be allocated
- identifying triggers for growth
- ensuring the financial flexibility of the company.

**'The CFO is able to provide advice to the CEO of the company and to the Board on what the triggers for growth and profitability are; what's working well in the company and what isn't. The CFO is an important gatekeeper of the resources of the company.'**

**Keith Magnus**

An interesting rule of thumb suggested by one participant is that the value of the CFO has to be complementary to the CEO. Successful CFOs will therefore need to understand their CEOs and the value that the CEO brings to the business in order to maximise the CFO's value to the business by adjusting his or her own value proposition to complement the CEO. This view underscores the symbiotic relationship between CFO and CEO and the close partnership that is evident in many businesses between the CEO and CFO.

**'If a CEO is very strategic, then the CFO has to play that complementary operational role. If the CEO is more of a big picture type and likes to seek consensus, but sometimes at the expense of reaching a decision, then the CFO will do the CEO a favour by bringing the element of decisiveness to the team.'**

**Ong Siew Kim**

Interestingly, the relationship between the economic climate and the value of the CFO was explored. At least one participant was of the view that the value of the CFO was now high because many businesses have become sensitised to financial issues after being immersed in the 2008-2010 banking and economic crises, the numerous accounting scandals and are now in the uneasy economic doldrums which may see further problems ahead.

However, one could imagine that when the economy booms, businesses are likely to become more relaxed and focused more on unbridled growth rather than being cautious. In such an environment, the Marketing Director was seen to be more critical to the organisation than the CFO.

### STRUCTURE OF COMPANY

As in the previous roundtable discussion, there was a strong consensus among participants that the role of the CFO and even the application of the title 'CFO' will depend very much on the size and the structure of the company.

'It will depend on the structure of each company to see how the CFO is placed in that organisation.'

**Loh Hoon Sun**

A new perspective was also suggested with respect to the positioning of the CFO within the company. While most participants saw the roles of the CEO and CFO as being dyadic and two-fold, one participant saw it as an important triangular relationship between the CEO, CFO and the Chief Operating Officer (COO).

'...for a SME company like mine, I tend to see a CFO actually in a triangular relationship with the CEO and a COO.'

It's basically bridging the function of the CEO, who gives directions, strategies, going into mergers, acquisitions, looking at new businesses, looking at diversification. And a COO who makes sure that the operational efficiencies are enhanced. The CFO then brings these two together.

We went the IPO (Initial Public Offering) route, then we went the RTO (Reverse Takeover) route and privatised. The journey for my CFO was really great; I mean, it was amazing for her. But I think it wouldn't be possible if we didn't have this triangular relationship.'

**Goh Min Yen**

### CFOs OF SMES

The first part of the debate on CFOs in SMEs versus larger companies raised less positive perceptions from CEOs of SMEs regarding the CFOs of SMEs. However, paradoxically, and somewhat ironically, in the second part of this debate there were more positive perceptions from CEOs of larger companies regarding CFOs of SMEs.

One participant was sceptical and questioned whether CFOs of an SME could apply the range of skills that a CFO of a larger company could apply.

'You know, if we are talking about a big company, then there are certain things a CFO should do. But if you are working for a smaller company, can you then apply the same model?'

**Lim Lian Soon**

He also felt that it may be a misnomer to call the finance leader of SMEs 'CFO'.

'In Singapore, I think the word "CFO" is sometimes abused, in the sense that anybody who is overall in charge of the accounts is called a CFO. They are merely running up numbers and have no input to other decision-making processes in terms of operations.'

**Lim Lian Soon**



This suggests that the term 'CFO', particularly in the SME context, may need to be used more appropriately in practice. The difference between a CFO and a finance manager was elaborated on:

**'The one who actually just gives you the debits and credits, your full set of accounts and does your elevator reporting up and down, that is your finance manager.'**

**The CFO, however, is somebody who can and must go beyond the numbers and tell the CEO, "Look, you want to move into this direction. You want to...-".'**

**Goh Min Yen**

It was then implied that many SMEs may not necessarily be staffed with CFOs who have the attributes and competencies, as outlined in the Framework, as SMEs may not be able to afford such a CFO.

**'I would love to have a typical CFO, like what you have in larger companies, but the size of my company doesn't allow that.'**

**Goh Min Yen**

**'A firm may want an ideal CFO with all the skills but smaller companies may not be able to attract them.'**\*

**Holger Lindner**

\* Summarising Goh Min Yen's views.

Responding to these somewhat negative sentiments and outlook regarding SMEs from CEOs of SMEs, CEOs from larger companies disagreed. In the ensuing debate, these CEOs pointed out that many of the skills and attributes that were associated with CFOs of larger companies could be transferred to CFOs of SMEs. Furthermore, one CEO also believed that the SME may provide a better training ground for the well-rounded CFO.

**'A lot of the attributes of a CFO of a large company and the role he or she plays could potentially also help a small company. Even the CFO of a small business can help the owners or management drive profitability through identifying trends - the numbers always tell a story - seasonality of revenue, product positioning and reception and price elasticity. This can be an invaluable guide for the CEO to drive resource allocation, product optimisation and therefore the company's return on equity and profitability.'**

**Keith Magnus**

SMEs could be more conducive to develop the CFO's potential.

**'Actually in a smaller company, the CFO probably would have to do and learn more. A lot more functions may come under him or her rather than in a big corporation where there are more resources, more people.'**

**Loh Hoon Sun**

Furthermore, it was been suggested that CFOs of SMEs could be developed if there was sufficient empowerment from the Board.

**'Is there a shortage of talented accountants or trained financial controllers who have the required additional skills to become a CFO? Or is it a lack of empowerment by CEOs and Boards to make CFOs live-up to the full scope and potential of their role?'**

**Holger Lindner**

This led to a discussion on how the CEO and the Board could play their roles in developing the CFO.

### CEO'S ROLE IN DEVELOPING CFO

To allow the CFO to maximise his performance, it was suggested that the CEO should share more information with the CFO.

**'The CFO has got to be more aware of all significant operations but, other than those in major corporations, most of the time he or she is kept in the dark.'**

**Lim Lian Soon**

One participant believed that the Board should not micro-manage operations. The CEO and the Board will need to give an opportunity for the CFO to grow. This participant shared her experience in empowering and guiding her CFO:

**'When the finance manager first comes on board they do nothing but make sure that my annual report is done up, my announcement to the SGX is done properly, etc. But after 1 or 2 years, we actually try, when we move into new areas, to give the CFO the latitude to explore, for example, on how to do a merger and acquisition. We also hired some of the better consultants, so to speak, to actually guide her along.'**

**Goh Min Yen**

In the previous roundtable discussion, it was noted that while CFOs need to support CEOs; CEOs will also need to actively support their CFOs. This may be needed to develop a congruence of views within the organisation and work as a management team.

However, several questions then arise: To what extent do CEOs now support their CFOs? To what extent do CFOs feel that CEOs are not listening to them? On the other hand, is some tension and differences in opinion between the CFO and CEO perhaps a good thing to ensure that all matters surface and are thoroughly debated? These concerns were discussed in the current roundtable, with the following question being posed:

**'Assume a CFO who is quite outspoken and who interprets partnership not only as agreeing with you but also as sharing constructive criticism. And assume he or she has the true intention to support your vision and enhance your judgement. Where do you**

**draw a line? How much is she or he allowed to oppose? In what context or style would you accept constructive criticism from your CFO?'**

**Holger Lindner**

The questions, not surprisingly, attracted a flurry of responses from participants.

### CFO-CEO INTERACTIONS

*The CFO should not be a Destabiliser*

One participant at this roundtable argued that the CFO must be a team player and not be a destabiliser who weakens or destroys important relationships within senior management and stakeholders. The sentiments of other participants were similar. In general, most participants felt that the CEO and CFO should work as a cohesive and united team.

**'If the CFO knows where the rice bowl is, he or she would discuss with the CEO and sort out their differences before it gets to the Board level.'**

**Goh Min Yen**

**'When going up to the Board, it is sensible to agree and come to joint decisions, rather than having an open debate with the CEO. At the Board level you've got to support each other.'**

**Keith Magnus**

**'Rather than arguing at the Board meeting the CFO should discuss with the CEO before the meeting. At our level we have to sort it out, rather than arguing at a Board meeting. On the 'big executive decisions' the CEO and CFO must be united.'**

**Loh Hoon Sun**

**'The CFO must share the same vision and mission as the CEO, so that we can propel the business and company ahead.'**

**Joseph Ang**

**'The CEO has got to manage the overall strategy. The CFO has got to buy into the CEO's view if he is not against it objectively and say "Yes, let's work hand in hand".'**

**Lim Lian Soon**

On the other hand, the CFO should not become timid as this may be counter-productive. A confident CFO is much appreciated by the CEO.

**'I can understand that there may be a problem for a CFO who has joined us newly and doesn't want to exert too much of his power and get himself into unnecessary trouble with the rest of the IDs (independent directors) or even EDs (executive directors).'**

**I always tell my CFO that we should work together as a team. And since I have already given you the empowerment to lead, I think you should trust me. But still there are some reservations. I do think that sometimes he's very careful when he still asks me, "Should I do this or not?"'**

**Joseph Ang**

The CFO should communicate with the CEO in a meaningful and respectful way. One participant lamented the behaviour of his previous uncommunicative CFO. He shared his experience: 'Although my room is next to him, he just passes by and goes to the Chairman's room without having any dialogue with me. He has already given me a signal that he is not comfortable with me. So finally there was a decision made that since the CFO does not even talk or work with the CEO we had to have a change of CFO.'

Some participants suggested that the CFO should actively cultivate a bonding with the CEO. More fundamentally, however, the CEOs at this roundtable generally agreed that there should be a compatibility of personalities between CEO and CFO.

**'Sometimes it's about personal chemistry. I agree that trust must be built but sometimes you don't even have that opportunity to build the trust.'**

**Ong Siew Kim**

### ASIAN PERSPECTIVE

As in the previous roundtable, the question of how culture influenced Board interactions was discussed. It was observed by some participants that Asian CFOs do not challenge their Boards or CEOs as much as CFOs from the West. It is important for CFOs to think independently and ask tough questions or they may lose credibility in the Boardroom. One participant, from ACCA's recent China roundtables summarised it well: 'Asian culture is to be humble, not to have confrontation or conflicts with others. When you grow up and take a very senior position in an organization you might have the same psychological problem saying "no" to your boss.'<sup>4</sup>

However, one participant cautioned that such behaviour can only take place without disrupting the collegial environment in the Boardroom if Asian directors can adopt some good features of Western culture in this respect. For example, Asian directors should be more open to criticism and not let it spill over into the personal space. This type of environment would presumably be better suited for CFOs to ask tough questions without getting entangled in personal squabbles with Board members.

**'Culture certainly has a role to play. If you look at the West, they can be arguing at the Board level but after the meeting is over they're having a drink at the bar as friends. However, some Asians take it personally and harbour grudges.'**

**Lim Lian Soon**

### CFO TO CEO

As in the previous roundtable, the question was raised as to who could be the natural successor of the CEO, if the CEO suddenly departs. Some were upbeat about the CFO taking over the reins of the CEO; and others implied that CFOs are already occupying a CEO-type role.

---

<sup>4</sup> *The Role of the CFO in China*, ACCA, in-press.

**'I see the CFO as a CEO with numbers.'**

**Loh Uantchern**

**'The ideal CFO could stand in as an interim CEO. Most CFOs should be able to, by virtue of the fact that they are in close dialogue and communication with the CEO, the COO and the Board most of the time.'**

**Goh Min Yen**

However, most participants agreed that it depends on the industry and company culture on whether the CFO can go on to become the CEO. Participants suggested other suitable successors such as Marketing Directors or Executive Directors and equivalents.

**'If your company is marketing oriented; where even the Chairman and CEO go out and see customers; I think in those situations, the director of marketing will be the more natural person to step into the CEO's position.'**

**Loh Hoon Sun**

As in the previous roundtable, some participants cautioned that the evolution of the CFO into the CEO should not be taken for granted nor would it always be desired. It was pointed out that most companies have succession plans, which may or may not include the CFO.

**'Our backup plan is that the CEO or executive directors of the various subsidiaries will automatically take over the CEO, not the CFO.'**

**Joseph Ang**

Furthermore, certain CFOs may not necessarily be comfortable with the idea of assuming the role of the CEO. As in the previous roundtable it was highlighted that while a CFO may have the potential to be a CEO it does not necessarily mean that all CFOs will make good CEOs. Also, successful CFOs may not necessarily be successful as CEOs.

In fact, in the roundtable held in China recently by ACCA, one participant opined that 'although often dependent on the individual, most stakeholders seemed to agree that CFOs are often more comfortable with "backseat driving". They are great advisors but lack the required comfort with risk to make the difficult decisions that lead to business growth.'<sup>5</sup>

The economic situation could be another factor on whether the CFO would be the natural successor to the CEO.

**'When the economy was relatively stable and growth was actually the name of the game in the early 2000s, you see a lot of marketing and sales type persons who rise to the CEO position. In the current situation, when we are talking more about risk, governance, cash flow, treasury, profitability and organic growth, then the CFO may be the right candidate.'**

**Goh Min Yen**

It would also depend on the phase of the company's evolution. Initially, it may make sense for the CFO to be appointed CEO but as the company grows and becomes more stable, the Marketing Director may take over.

**'The CFO would be the interim CEO first, as he has the overall view of the company and because it's a shock if there is a sudden departure. Then it takes time to identify a successor; who most likely will be the marketing guy in many cases.'**

**Lim Lian Soon**

There could be a 3-pronged relationship between CEO, COO and CFO in some organisations. In those cases, at least one participant felt that the COO would be a better successor than the CFO.

### CRITICAL SKILLS AND KNOWLEDGE

As in the previous roundtable, participants at this roundtable were of the view that CFOs will need to develop a good understanding of all aspects of the organisation's business to be a good sounding board to the CEO and operate effectively.

**'Having a sound understanding of numbers is a given for the CFO. However, for the CFO to really contribute she must not just be a numbers person; she has to understand the business model of the company and be able to tie the two.'**

**Ong Siew Kim**

---

<sup>5</sup> *The Role of the CFO in China*, ACCA, in-press.

Furthermore, it was believed that the CFO should be aware of all the significant operations of the business, even if not directly involved in it. This was necessary as company officers in other departments may not always be aware of or sensitised to the financial implications of their activities. An example was given in relation to the procurement process:

**'Procurement is a specialty of the people in purchasing and most of the time the CFO is not involved in the initial stages. Both parties will discuss the terms of the contract and then sign off.'**

**When it comes to payment, the invoice goes to the finance department. If that payment is to a non-resident in Singapore, it triggers off withholding tax requirements. Now who pays? This results in a dispute between the two parties.**

**To prevent this, I believe, the CFO should be aware of this right at the outset.'**

**Lim Lian Soon**

The previous roundtable noted that financial markets will play an increasingly larger role in the life of businesses as Singapore continues to expand as a global financial center. The impact on the finance department and the CFO will therefore continue to grow. Participants therefore concluded that modern CFOs should be conversant with typical risks that exist in a global financial center. At this roundtable, a similar call was made:

**'We've seen, especially through the financial crisis, that the CFO has to really understand the ability of the business to maintain financial flexibility. You have to understand not only how to generate and manage cash flows but really be aware of where your sources of equity and debt financing are. Capital flows are so globalised now that it is also important to understand what's happening in the financial markets and the global economy - the CEO needs advice on how markets and economy could affect the prospects of his company.'**

**Keith Magnus**

CFOs should therefore have a deep understanding of financial markets to develop the financial muscles of the business and to make it financially flexible in constantly changing economic conditions.

It was generally agreed that CFOs should be technically proficient in financial and technical matters. One participating CEO lamented the fact that sometimes simple technical matters are not being handled in-house, concluding:

**'No need to get consultants for every small accounting problem.'**

**Lim Lian Soon**

This underscores the continuing importance of technical proficiency for the CFO. Nevertheless, this does not mean that the CFO should be bogged down by technical issues and refuse technical assistance when it is required. Rather, he should be resourceful and be able to source for technical assistance when it is really needed.

**'If I want to go for a haircut, I go to a barber; I do not cut my own hair. If I want to make furniture, I go to a carpenter. So I'm aware of where and who to go for advice; I do not need to do it myself. For example, I know there's withholding tax; but as to how much and when to withhold, I go to a specialist for advice.'**

**Lim Lian Soon**

### ACCOUNTANT OR NON-ACCOUNTANT

KPMG's research *Who are our CFOs?*<sup>6</sup> found that about 83% of CFOs in SGX listed companies included in the survey have an accounting background, defined as having an academic and/or professional qualification in accountancy, or audit-related experience. Furthermore, it was found that larger companies are more likely to have CFOs without an accounting background. In the telecommunications, financial and healthcare industry sectors, there are more CFOs without an accounting background, whereas in the utilities, energy and consumer industry sectors, there are fewer CFOs without an accounting background.

---

<sup>6</sup> *Who are our CFOs?* KPMG, 2011.

One participant felt that SMEs definitely need to have accounting-trained CFOs as they may not have a large technical department, as in larger companies, to support the CFO.

**'I think for an SME, a company like mine, my CFO definitely has to have an accounting background to start off with. We can't afford a purely non-accountant CFO as we do not have a tax manager, a cost manager or an accounts receivable manager; which a big company would have. So for an SME, I think the CFO would definitely need to be an accountant.'**

**Goh Min Yen**

Another participant went further than most by proposing that CFOs of all listed corporations should have professional accounting qualifications.

**'You need to have an accounting background because a lot of the work relates to figures and finance. I would like to suggest that this must be a requirement for all listed corporations.'**

**Lim Lian Soon**

CFOs that were not competent in accounting matters were chided by one CEO.

**'Some can't even interpret the FRS on simple matters and go to the auditor for advice. So what am I paying the CFO for? That basic knowledge is something the CFO must have. If you want to talk about exotic financial instruments, you go to a banker, I understand. But if you don't know about overdrafts and simple things like that, then it is ridiculous.'**

**Lim Lian Soon**

However, other participants felt that it is not necessary to restrict CFOs to qualified accountants, particularly for larger companies, where a large technical team can support the CFO. Furthermore, it may also be able to use external expertise or outsource certain technical functions. In this situation, it may not be absolutely necessary to have an accounting background but CFOs will need

to have financial literacy to communicate and operate effectively. These conclusions were consistent with the previous roundtable.

**'But I thought for bigger companies, if you have qualified accountants in the accounting role, you know, in the treasury role, cash flow and all that, do we really need the CFO to be accounting trained? However, you can't have a CFO who does not like numbers. Financial acumen is very, very, very important. But I thought of equal importance is the commercial acumen.'**

**Ong Siew Kim**

**'Whether you will be a good CFO if you weren't an accountant depends on the scope of what your role is. In larger companies, interpreting the numbers and understanding the key drivers of the business is more important; certainly this is more important than having bookkeeping skills. The CFO though, must be financially adept.'**

**Keith Magnus**

As noted in the previous roundtable, it may very well be that CFOs who are bogged down by accounting issues may actually have difficulty in attending to strategic matters. Arguably, the mindset when dealing with purely technical matters is different from negotiating a deal or persuading Board members to invest in a project. This split-personality, Jekyll and Hyde type conundrum, was highlighted in the previous roundtable.

At this roundtable it was suggested that it may very well be more cost-effective for the CFO to appoint an accountant who can deal with detailed technical matters so that the CFO can focus on strategic matters.

**'It may be more effective to have a Chief Accountant reporting to a CFO, in order to free up some resources of the CFO to tackle issues like business partnering or risk management, rather than to expect the CFO to assume all the expert roles himself, including looking into all the detailed changes in individual accounting standards.'**

**Holger Lindner**

### MANAGING RISKS

In the previous roundtable, it was observed that in many organisations CFOs operate as de facto CROs. Some participants objected to assuming that CFOs would automatically be CROs. They explained that there are different types of risks that are managed by different Heads in an organisation. Each Head will be more familiar with the risks in his/her immediate environment. This observation was also made at this roundtable:

**'Today a lot of customers are requiring that you have a BCP (Business Continuity Planning) in place and just recently there's also the Data Protection Act. Can the CFO have this deep knowledge? In my opinion, unfortunately, 'no'.'**

**Ong Siew Kim**

The following questions then arise: To what extent are CFOs today equipped to perform effectively as CROs? Are expectations of CFOs to also double up as CROs unrealistic? These questions were addressed at this roundtable.

It was acknowledged that all risks ultimately materialise in financial risks. There was therefore a broad consensus at this roundtable that the CFO may be the most appropriate person to play a CRO-type of role.

**'Because financial risks are so clearly in the face of most organisations, they look at the CFO and say, "Since you know financial risk, why don't you take care of the rest?" So the CFO becomes the proxy.'**

**Loh Uantchern**

It would then also be efficient to have one officer who should be able to consolidate the risks and the CFO, again, may be the best person to do this as he or she would normally have a sufficiently good and comprehensive overview of the whole organisation.

**'It would be better to have somebody with a central coordination function and who can rely on the expertise of others in the various specific areas.'**

**Loh Hoon Sun**

A further argument made to support the case that the CFO should assume the role of the CRO is that the CFO, unlike the CEO or COO, is not directly involved in operations and therefore would have a clearer and uncluttered view of the risk environment.

**'I think overall risk management should be delegated to the CFO because he is not involved in the day-to-day running of the whole operation, where the CEO is responsible.'**

**Lim Lian Soon**

Furthermore, most companies may not be able to afford a full-time dedicated CRO. In a frank exchange, it was noted that the job of a dedicated CRO actually 'does not lead anywhere'. This alludes to the observation that many CROs may not have a clear career progression up the corporate ladder. It may therefore be better to expand the CFO job definition to take on a CRO-type role for most companies, rather than to employ a full-time CRO.

**'The majority of companies cannot afford a CRO.'**

**Lim Lian Soon**

**'Unless you are in a regulated industry, like in banking or stockbroking, my view is that it is not practical to have a separate CRO. It is very difficult to sustain that role.'**

**Loh Uantchern**

### RULE 1207(10)

At this roundtable, there were some concerns expressed about the CFO's ability to understand and interpret operational risks, in connection with the requirements of Rule 1207(10). The rule was considered a blunt instrument.

**'SGX has put the responsibility squarely on the Board; no longer just negative assurance. Board members are now taking a different view on this. So who is going to manage this?'**

**The CFO can look at the financial risk, the tax risk, but operational risks, procurement mistakes: buy wrongly or overbought situations, who is responsible?'**

**Lim Lian Soon**

**'All the 800 listed companies are now being asked, under listing rule 1207(10), to sign off on internal control and risk management. This rule is a very blunt instrument.'**

**Loh Uantchern**

### ATTRIBUTES AND COMPETENCIES OF THE IDEAL CFO

As in the earlier roundtable, participants were asked to review and comment on a Framework which was earlier prepared, based on inputs from CFOs. This Framework included attributes and competencies relevant to an 'ideal CFO'.

Participants generally agreed with the Framework although a few modifications were suggested. Based on these suggested modifications, discussed below, the initial Framework has been modified and presented on page 16 of this report.

The suggested modifications were as follows:

- Must be a team player and be able to interact with the Board.  
*Joseph Ang*
- The CFO has to keep himself up-to-date because things are changing so fast.  
*Ong Siew Kim*
- The CFO should know how to translate the numbers into business value.  
*Ong Siew Kim*
- In terms of competency, I would add knowledge of both the debt and equity capital markets, and the CFO must be adept at how to access them. The capital markets are becoming a very important source of funding for companies.  
*Keith Magnus*

One participant expressed some scepticism on the desired attribute of being able to make sound commercial decisions.

**'How do you measure commercially sensible decisions? On hindsight you can measure, but at the point in time, you obviously will not recommend a loss decision.'**

**Lim Lian Soon**



The modified Framework is presented below.

### ATTRIBUTES & COMPETENCIES OF THE IDEAL CFO

#### ATTRIBUTES

- a. He or she is a Leader and Influencer in shaping outcomes close to the heart of the Business.
- b. He or she has a track record of making commercially sensible decisions.
- c. He or she demonstrates strong commitment to Ethics and ability to manage ethical dilemmas.
- d. He or she demonstrates a strong Analytical ability.
- e. He or she is an effective Leader with excellent talent management skills.
- f. He or she has superior Communications skills and is attuned to cultural difference across the geographical segments of the business.
- g. He or she is highly effective in leading the Finance function to support the strategic direction and operations of the organisation.
- h. He or she demonstrates a firm grasp of the Operations of the organization.
- i. He or she should think and act Independently.
- j. He or she should manifest Reliability and Consistency in presenting information.
- k. He or she should be Trustworthy and Honest.
- l. A good Team player who is able to interact with the Board effectively.
- m. Ability to interpret numbers insightfully to generate business Value.

#### COMPETENCIES

##### I. Operational Management

1. Accounting and Finance
2. Budgeting, Forecasting and Cost Management
3. Corporate Governance and Compliance
4. Management Information Systems
5. Mergers & Acquisitions and Corporate Finance
6. Organisational and Administrative Skills
7. Right Sourcing
8. Performance Management
9. Risk Management
10. Taxation
11. Treasury and Asset Management
12. Treasury, asset management and capital markets analysis.
13. Current affairs and market intelligence.

##### II. Tactical Management

14. Change Management and Insights
15. Communication and Presentation Skills and Executive Presence
16. Internal Stakeholders Relations
17. Financial Strategy (Shareholder Value)
18. Negotiation
19. Possessing good knowledge and understanding of the business

##### III. Strategic Management

20. Advocate/Ambassador for the Organisation
21. Vision and Goal Setting
22. External Stakeholders Relations (Investors, Regulators, Suppliers and Clients)
23. Relationship Building and Collaboration

**...BASED ON ETHICS & INTEGRITY**

### ADVICE FROM CEOs

In closing the discussion, the participating CEOs were asked on what advice they could provide to CFOs. These were their parting advice:

- Keep on learning

**'Keep on learning and be very involved in the company's operations, because that's really the key for a CFO aspiring to be a CEO.'**

**Goh Min Yen**

- Communicate with the CEO

**'Communicate with the CEO and tell him that you're there to equip him with whatever knowledge that you think that he needs to run the business more effectively.'**

**Keith Magnus**

- Be up-to-date and business oriented.

**'The environment changes very fast these days; regulations, law, technology; so I think it's important for the CFO to be very up-to-date and secondly he must be really business oriented.'**

**Loh Hoon Sun**

- Really understand the Business

**'I think the CFO of a smaller company needs to really understand the business itself as different businesses have different peculiarities.'**

**Understand the uniqueness of the business; do not simply just look at source documents to generate the outcomes of performance.'**

**Lim Lian Soon**

- Think positively and constructively

**'Don't give 1,001 reasons why it cannot be done.'**

**Loh Hoon Sun**

This sentiment was also reflected in ACCA's recent China roundtables. Participants felt that CFOs should be open minded and be willing to find ways to solve problems, rather than just throwing up the regulatory roadblocks they encounter: 'CFOs often say, "you cannot do this, you cannot do that". But a CEO's job is to make decisions.'<sup>7</sup>

---

<sup>7</sup> *The Role of the CFO in China*, ACCA, in-press.

At the ACCA-IMA roundtable<sup>7</sup> in Zurich this year, one participant quipped, 'I think the changing role of the CFO makes it very, very difficult to hire the right people that can become a CFO in the future.'

Indeed, when the previous Framework, as largely presented on page 16, were exposed to CFOs in Singapore, many appeared to be overwhelmed by the many expectations, in terms of attributes and competencies, of the 'ideal CFO'.

It is difficult to deny that as each year passes, the CFO is expected to do more. Are these expectations unrealistic?

Today, the CFO is operating in a much more challenging environment. There is more information that businesses need to digest and more regulations to comply with. Yet the CEOs at this roundtable have largely given a resounding vote of confidence to their CFOs.

It is heartening to witness that the participating CEOs have derived great value from their CFOs. It is also unmistakable from their comments, that they share a unique and close relationship with their CFOs. This appears to suggest that the expectations of CEOs' are being largely met by CFOs today.

### *CFOs in SMEs*

While the CFOs of large companies are supported by large technical departments, the CFOs of SMEs face the task of balancing the demands of their technical contributions with their business value-adding contributions. SMEs are constrained by their resources and as regulations and expectations with respect to corporate governance and transparency rise, SMEs face an uphill battle. CFOs in SMEs therefore play a pivotal role in bringing their organisations to a higher platform. They must convince their Boards of matters that would be taken for granted in larger companies. As such, the CFOs of SMEs must rise up to the challenge of being paradigm-shifters and change managers in their organisations. Many participants at this roundtable saw the benefits of CFOs of SMEs emulating their counterparts in larger

companies. This is practical and probably a step in the right direction. As their organisations grow, they will need to shift to a higher gear and fulfill the expectations required of CFOs in larger companies.

### *Impact of SGX Rule 1207(10) on CFOs*

Of some immediate concern to participants is the ability of CFOs to fulfill the requirements of Rule 1207(10) both in letter and substance. Rule 1207 (10) requires the Board to provide an opinion, with the concurrence of the Audit Committee, on the adequacy of the internal controls; addressing financial, operational and compliance risks.

While financial and compliance risks were seen to be the natural purview of the CFO, there were some concerns at this roundtable on whether the CFO should opine on operational risks. These concerns are significant enough to warrant another study. Indeed ACCA and the Institute of Internal Auditors (IIA) in Singapore have concluded a roundtable discussion<sup>8</sup> addressing this issue in October. The report, summarising the views of the participants, will be published in early 2013.

### *Perception Alignment*

The participating CEOs are generally agreed with the attributes and competencies of an ideal CFO as presented in the Framework, as outlined by CFOs themselves in an earlier discussion and validated by Board directors at the previous roundtable. This shows that CEOs and CFOs have significant alignment in their perception of the attributes and competencies of the ideal CFO. Based on this roundtable, therefore, we conclude that there is no significant gap between CEOs and CFOs on their perception of the ideal CFO.

### *The Framework*

We believe therefore that the evolving *Framework*, as set out on page 16, while not intended to be exhaustive or conclusive, can act as a useful guide to develop professional development programmes for CFOs in the immediate future.

---

<sup>7</sup> *The Changing Role of the CFO*, ACCA-IMA, 2012.

<sup>8</sup> ACCA-IIA roundtable discussion on *Risk Management under the New Corporate Governance Code – Expectations & Deliverables*, in-press.

Singapore CFO Institute  
c/o Singapore Accountancy Commission  
(to be enacted via legislation)  
10 Anson Road  
#05-18 International Plaza  
Singapore 079903

ACCA Singapore  
435 Orchard Road  
#15-04/05 Wisma Atria  
Singapore 238877  
+65 6734 8110  
[www.singapore.accaglobal.com](http://www.singapore.accaglobal.com)