



# **CPAs as CFOs:**

Why You Should Have a  
CPA in Your C-Suite

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## **Executive Summary**

Today's complex global environment places new demands on leaders of organizations at both the board and executive levels to satisfy the dual expectations for successful performance and ethical governance.

As a critical component of the executive team, the role of Chief Financial Officer (CFO) involves new demands as well. With heightened emphasis on financial reporting and internal control, the CFO's traditional responsibility for financial stewardship is more important than ever before. In addition, CFOs are increasingly involved in strategy execution and value creation activities. Their central location within the organization at the intersection of strategy, process and information places them in a unique position to coordinate strategic initiatives across the enterprise.

CPAs are uniquely qualified to meet the challenges of the evolving role of the CFO:

- CPAs are committed to a high level of professional competence, and are bound by the highest standards of integrity and ethical conduct.
- CPAs value continuing education highly and continuously acquire new skills and knowledge to meet the changing demands of the workplace and their profession.
- CPAs have a 100 year history and a deserved reputation for honesty and objectivity.
- CPAs are committed to the public interest, which provides them with a perspective that is invaluable in developing trust.

CPAs are trusted professionals with the expertise necessary to deliver value across the wide spectrum of responsibilities of the finance function in today's business enterprises. Whether in the executive suite, on the audit committee, or in other roles in the boardroom, the skills and values of CPAs are essential to meeting the challenges of leadership and governance in this rapidly changing and complex world.

## **A Global Economy: Risks of Complexity and Change**

Technological advances toward the end of the last century, coupled with significant political events, ushered in a new era of a global economy. The business environment in this new era is characterized not only by worldwide market opportunities and global competition, but also by increased complexity and a pace of change that is often frenetic. Accompanying this increased complexity and rapid change is a wide array of strategic, operational, financial and compliance risks that must be navigated in the pursuit of successful organizational performance.

Significant political and economic events continue to alter the landscape of the business world. After peaking in 2000, the dot.com bubble burst, followed by a seemingly endless series of business failures. Several of these failures involved corporate scandal, Enron being the first of many, coming to light on the heels of the devastating events of September 11, 2001. Many others can be attributed to strategic failure, characterized by poor strategy selection or execution, the inability to respond to abrupt changes or fast-moving market conditions or both, or to unsuccessful merger and acquisition strategies.

The number and widespread impact of these failures not only dealt a major blow to public confidence in our capital markets, but also precipitated sweeping legislation, most notably the Sarbanes-Oxley Act of 2002. Although the Sarbanes-Oxley Act applies specifically to public companies, its corporate governance requirements are increasingly being adopted voluntarily by nonpublic entities.

## **The Evolving CFO Role**

These forces have changed the demands placed on all parties involved in governance from both the strategic performance and conformance perspectives. Boards of directors and audit committees are experiencing increased demands to ensure the continued viability and ethical conduct of the organizations they oversee. Not only are chief executive officers being held accountable for successful economic performance in the global marketplace, but governance mandates have made them also directly accountable for corporate conduct and ethical behavior.

These changes have also created a shift in the demands placed on CFOs and the finance functions they lead. As a result of the heightened emphasis on financial reporting and internal control, the CFO's responsibility for financial stewardship is more important now than ever before for organizations large and small, public and private, for-profit and not-for-profit. Board members, audit committee members, investors, lenders and other stakeholders have an urgent need for a comprehensive understanding of the financial statements and systems of internal control. They also need critical information about both the drivers of strategic success and the potential risks to achieving the strategic objectives of the organization.

Although financial quality and value preservation have been their traditional domain, CFOs are becoming increasingly involved in strategy execution and value creation activities. Because of their functional role and enterprise-wide perspective of the organization, CFOs are charged with developing and monitoring nonfinancial as well as financial measures of organizational performance. Just as stakeholders need more and better information about revenues, expenses, assets and liabilities, all essential to the understanding of financial results, they are also demanding information about customers, suppliers, processes and products — metrics that are important to the understanding of strategy execution. The CFO's responsibilities for the information assets of the organization and for performance measurement makes the CFO the natural candidate not only for communicating financial results, but also for developing key performance indicators for monitoring strategy execution. CFOs are also increasingly responsible for strategy execution itself. Their central location within the organization at the intersection of strategy, process and information places them in a unique position to coordinate strategic initiatives across the enterprise. In fact, as some organizations have moved to better integrate and align their business processes with strategy, they have dispensed with the role of Chief Operating Officer (COO), shifting much of the responsibility previously vested in that role to the CFO. In organizations both large and small the CFO is often regarded as the "second-in-command."

### **CPA Core Purpose: Making Sense of a Changing and Complex World**

CPAs are uniquely qualified to meet the challenges of the CFO's evolving role in today's organization. CPAs are committed to a high level of professional competence, and are bound by the highest standards of integrity and ethical conduct. Their commitment to independence and objectivity provide them with a perspective that is invaluable in developing trust. They value continuing education highly and continuously acquire new skills and knowledge to meet the changing demands of their profession.

CPAs are the acknowledged experts in accounting, financial reporting and internal controls. Their deep understanding of the accounting model is critical to optimizing and controlling the quality of financial information derived from increasingly automated and sophisticated information systems. The process of standardizing and centralizing critical information, analyzing that information, and disseminating it in ways that are meaningful to users is essential to quality financial reporting and the communication of meaningful performance measures. Their disciplined training in the financial reporting process makes CPAs uniquely qualified to develop the metrics necessary to monitor the successful implementation of strategy and to provide the transparent disclosures of key performance indicators demanded by the marketplace.

In short, the CPA's values, competence, and diversity of experience make the CPA uniquely qualified to deliver value across the wide spectrum of the finance function's responsibilities in today's business environment, from internal control and financial reporting to strategic and risk management.

### **CPA Certification and Training**

Although there is a host of reasons to hire a CPA, as a simple baseline measure the academic rigor and preparation required to pass the Uniform CPA Examination and meet the requirements for certification are strong indicators that when you hire a CPA you are hiring someone who is not only intellectually and technically capable, but also someone who is serious about his or her career, and serious about the values and ethical conduct expected of professionals.

The requirements of the CPA Examination serve to establish a threshold level of mastery of a wide range of knowledge and skills. In addition to demonstrating knowledge of core technical accounting, auditing and financial reporting standards, principles and practices, CPA candidates must also demonstrate the skills necessary to apply those concepts in practice. Candidates must also have requisite levels of knowledge of tax law, business law and relevant regulatory requirements. The breadth and depth of CPA Examination content also requires knowledge of the general business environment, including concepts that candidates need to know to understand the underlying reasons for important business transactions, the accounting implications of those transactions, and the skills needed to apply that knowledge. Perhaps most importantly, the CPA Examination tests for a thorough knowledge of the requirements governing ethical behavior and professional responsibility and the skills necessary for protection of the public interest, including the abilities to communicate, perform research and analyze information, as well as other higher-order skills such as judgment and understanding.

Building on this platform, whether in the multi-client environment of a CPA firm or the multi-dimensional environment of a business, not-for-profit or other organization, the demands placed on CPAs early in their careers provide a solid foundation of training. This training is grounded in principles and standards that have been developed from more than a century of experience within the CPA profession.

Reliance placed on the expertise of CPAs, whether practicing the profession in public accounting or in business, calls for depth of analysis, rigor and understanding not necessarily expected in other professions. CPAs are required to exercise judgment in every situation, look at the big picture, understand interdependencies and consider how parts fit into the whole. They are systematic in their approach and thorough in their assessment. Many CPAs get much of their early training in auditing, which requires a systemic view, a thorough understanding of internal controls and comprehensive analysis of risk, considering at every juncture what might go wrong and what must go right to achieve the desired objective.

## **CPA Core Competencies and Values**

The CPA's exposure to the needs of multiple clients, challenging situations, complicated issues and difficult problems creates a rich tapestry of experience. This results in an invaluable business perspective, as well as an ability to grasp quickly the intricacies of new businesses and to deal with information objectively, free of distortions, personal bias or conflicts of interest. Whether analyzing the valuation of inventories, the viability of a proposed acquisition, or the reasonableness of fundraising expenses in relation to contributions received, CPAs are trained to look at everything with "fresh eyes" and to understand cause and effect. They challenge assumptions, consider the potential impact of interdependent events, and strive to uncover the root cause of problems. CPAs value integrity and conduct themselves with honesty and professional ethics. Their competence enables them to perform high-quality work in a capable, efficient and appropriate manner. Their work ethic is responsive and results-oriented, enhancing their ability to anticipate and meet changing needs. CPAs are valued highly for their strong work ethic, frequently being sought out for key positions because of their willingness to work hard and to go the extra mile, leading by example to influence, inspire and motivate others to achieve superior results. Diversity of experience also hones the CPA's strategic and critical thinking skills, enabling CPAs to link data, knowledge and insight together to provide quality advice for strategic decision making. Their ability to understand different points of view and interpret converging data in a broader context in turn enables them to exchange information and communicate complex concepts in a meaningful way.

CPAs also have a commitment to a core value of lifelong learning and are required by professional standards to maintain their skill base through continuing professional education. Building on the threshold level of mastery required by the CPA Examination, research analyzing the skills deployed by CPAs practicing in a wide variety of contexts has revealed an array of core competencies that can be organized into four broad areas:

- **Personal Attributes** – The characteristics that enable the CPA to attract others to well-reasoned and logical points of view, to communicate effectively,

and to relate to others. These include business writing and presenting skills, interpersonal orientation, and innovative or creative thinking.

- **Leadership Qualities** – The skills that allow the CPA to assume a position of influence by assembling and leveraging a variety of resources that address problems and opportunities throughout the organization. This skill set includes strategic thinking and planning, teamwork and coaching, cross-functional and facilitating skills.
- **Broad Business Perspective** – The body of knowledge that encompasses an understanding of the organization, its industry, and management accounting practices and their applicability to the organization. Mergers, acquisitions and strategic alliances, current and emerging management practices, risk management and organizational systems and processes are key competencies in this area.
- **Functional Expertise** – The “traditional” technical skills that CPAs possess and that form the basis for their unique ability to understand an organization from a perspective that others cannot. This functional expertise includes financial accounting and reporting, taxation, budgeting, forecasting and business planning, information technology and internal control environment.

Developing the specific competencies in each of these areas enables CPAs to perform at their highest level and lead others toward the achievement of organizational goals.

### **Professional Membership and Affiliation**

In addition to their personal commitment to lifelong learning and professional competence, CPAs are supported in their profession through membership and affiliation in professional organizations. At the national level, the American Institute of Certified Public Accountants is an organization with a longstanding commitment to quality, the profession, and the public good, now shared by more than 340,000 members, that dates back well over 100 years. State CPA societies and their local chapters also work on behalf of CPAs to enhance their performance, advance the profession, and serve the public interest.

**CPA Skills and Values: Essential to Success**

Now more than ever, executives in today's organizations need the skills and values of the CPA. These skills and values are essential not only to those in the CFO role and other critical financial positions, but also to those in executive positions not traditionally assuming a financial background. In the boardroom, CPAs' skills and values not only satisfy the requirements of the audit committee, they are also valuable in providing effective strategic oversight.

CPAs are trusted business advisors with competence and perspective garnered from rigorous training, experience and commitment to lifelong learning. CPAs are valued strategic partners with the expertise necessary to be integrators of the sophisticated performance management and reporting processes of today's enterprises. Most importantly, with a Code of Professional Conduct serving as a beacon for their ethical and professional conduct, CPAs are uniquely suited to be the architects and stewards of effective governance frameworks demanded by stakeholders and the public interest.

Whether in the executive suite, on the audit committee, or in other roles in the boardroom, the skills and values of CPAs are essential to meeting the challenges of leadership and governance in this rapidly changing and complex world.