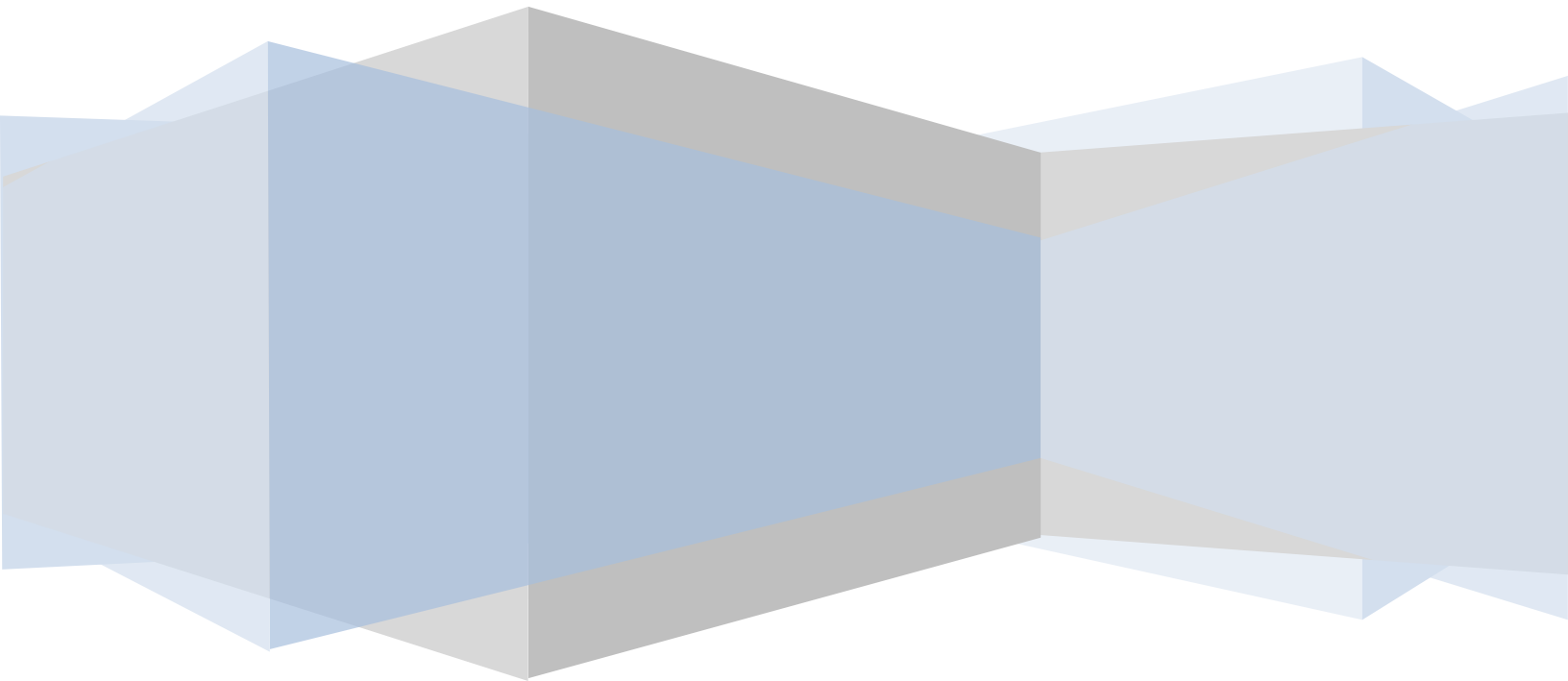


Moving From CA to CFO: A Competency Framework

An ICAO/Queen's University Collaborative Study

Overall Survey Results



I. Introduction

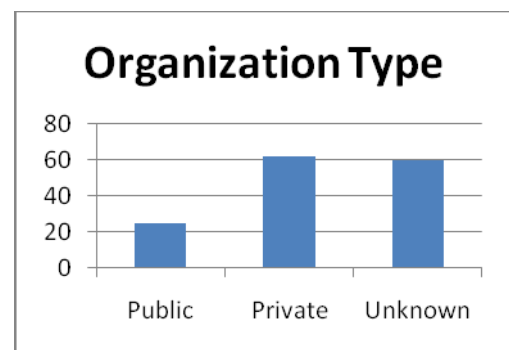
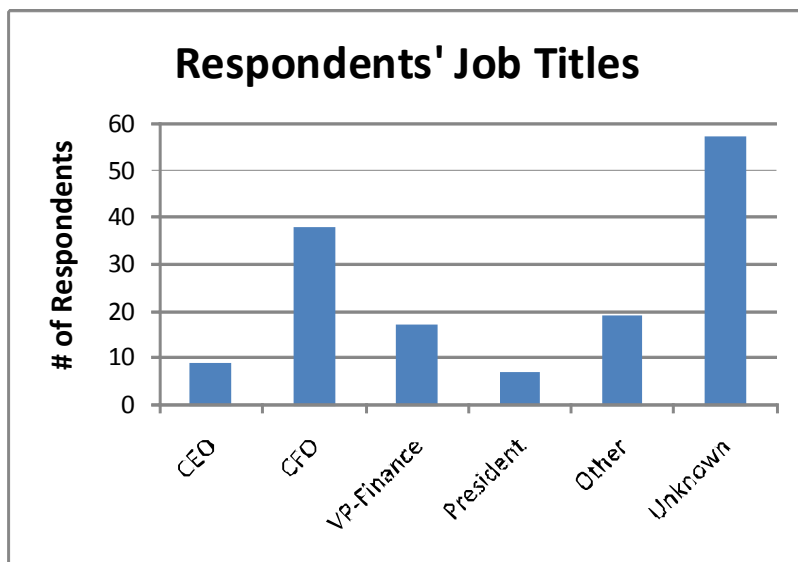
The Institute of Chartered Accountant of Ontario (ICAO) and The Monieson Centre at Queen’s University collaborated on a project intended to assist new CAs to plan their career toward becoming a CFO of a publicly-held company. The purpose of this report is to provide an understanding of the CFO role and to identify the competencies CAs need to develop so that they are able to progress to the CFO level and function effectively. To accomplish this, a variety of information sources were consulted, including academic journals, consulting reports, books, magazines, and conference and workshop offerings. The information from these sources was synthesized into a list of competencies that today’s public companies expect their CFOs to possess. These competencies are structured around four different roles played by the CFO: Steward, Operator, Catalyst, and Strategist. Each of these roles and their subsequent competencies were used to structure a survey administered to C-suite executives within Ontario companies.

This document contains an overview of the survey and results. The survey begins with a description of each of the four CFO roles and asks whether these roles capture the essence of the CFO’s job. Respondents are asked the importance level of each role for a CFO and CEO, and the length of time the CFO spends on each of the roles. Next, the survey goes into more depth, describing competencies within each role and asking importance questions of each. The survey ends with questions about CFO qualifications and respondent demographics.

II. Results of Competency Survey

Respondent Demographics

In total, 147 individuals responded to a portion of the survey; 90 fully completed it. The most important demographics as it relates to CFO competencies within a publicly held organization are as follows:

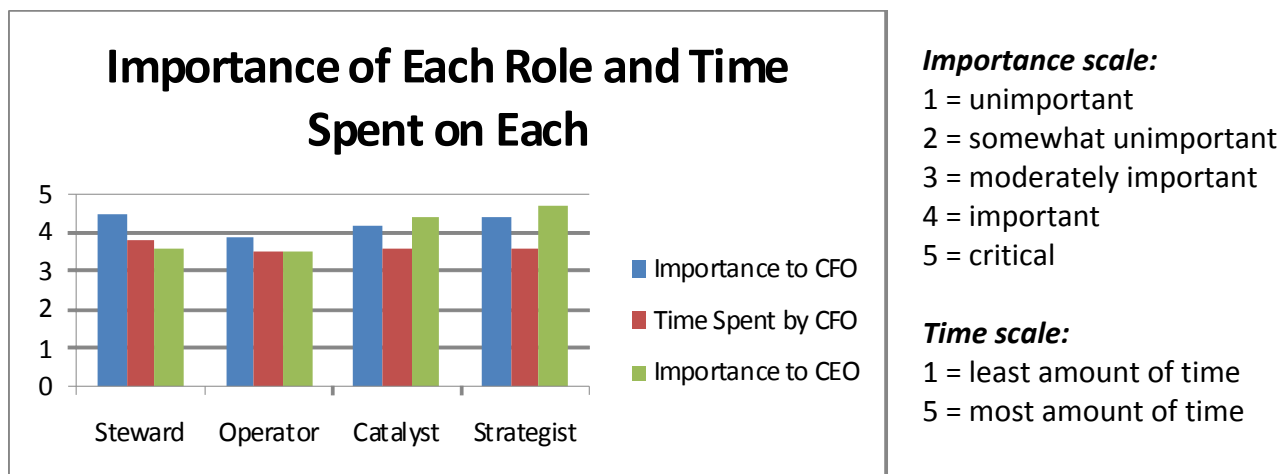


Of the 90 respondents providing demographic information:

- Almost 40% are age 41-50, 38% are 51-60, 13% are 60+, 10% are 31-40
- 88% are male
- 54% have been in their current job 0-5 years, 27% for 6-10 years, 19% more than 11 years
- They have an average of 25 years of experience
- 24% are in “other” industry; 23% in manufacturing; 17% in finance, insurance, and real estate; the remaining are in wholesale or retail trade, services, transportation, and public administration
- 40% of organizations have assets of \$10-100 million, 20% have less than \$10 million, 14% have \$100-500 million, and 11% have \$1-10 billion. Sales sizes are comparable

Roles Overview

The majority of respondents (86%) agreed that the four roles capture the essence of the CFO’s job. With respect to the importance of each role, the following are average responses:



All the roles are important for the CFO, with Steward ranking most important and with the highest level of consensus. Time spent on each role is similar, but has higher standard deviation levels than any of the importance measures, indicating that respondents differed more in how much time they spend on each role than in how important they believe the role to be. The differences between importance and time spent on each role are all significant, with no particular difference standing out from another. For the CEO, the most important roles are Strategist and Catalyst, and they are significantly higher than for a CFO. The role of Strategist is not only ranked highest for the CEO, but it also has the highest level of consensus.

The survey provided an open-ended question for those who did not agree with the four roles. Following are some key responses:

- Several respondents indicated that the importance of each role and time spent on each depends upon several factors:
 - The size, nature, and structure of the company. For example, the CFO has a more diverse role in smaller companies, including HR.
 - The capabilities of the CEO and other executives.
 - The particular needs at a given time. One respondent suggested a TBD category depending upon immediate needs.

- Several respondents listed additional items that are captured as competencies, such as advocate, leader, team-builder, communicator, analyst, mentor, business partner with those responsible for operations, investor relations, and governance.
- One respondent indicated that a role of maximizing capital employed is important for CFOs of privately held organizations.
- One respondent defined the role of CFO as, “the internal conscience of the senior management team,” not to suggest that non-CAs don’t have a conscience, but to indicate that a CA has received training that includes a specific code of ethics.

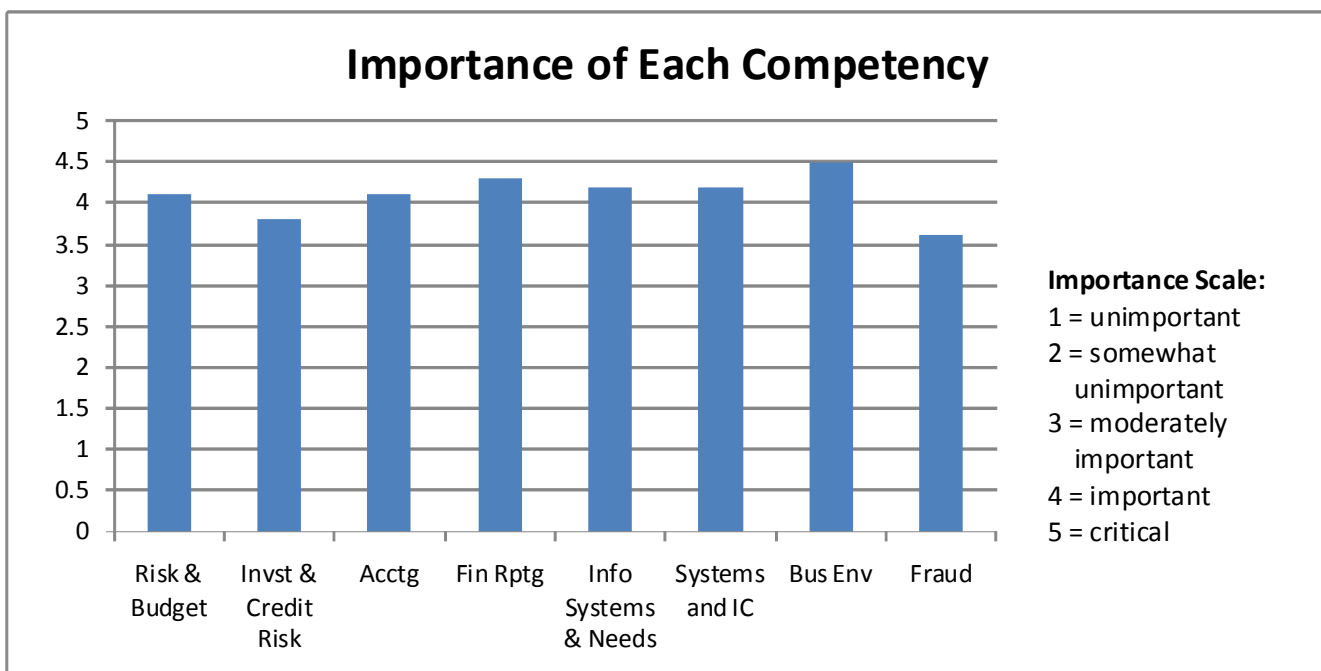
Steward Role

Following is the list of competencies under the Steward role:

1. Working knowledge of risk management, budget and forecasting tools (Risk & Budget)
2. Investment and credit risk knowledge (Invst & Credit Risk)
3. Accounting knowledge (GAAP and taxation) (Acctg)
4. External financial and regulatory reporting knowledge (Fin Rptg)
5. Understanding of financial information systems and informational needs of decision makers (Info Systems & Needs)
6. Understanding of systems, processes and internal controls over financial information (Systems & IC)
7. Understanding the business environment (Bus Env)
8. Fraud prevention, detection, and investigation (Fraud)

Importance of Each Steward Competency

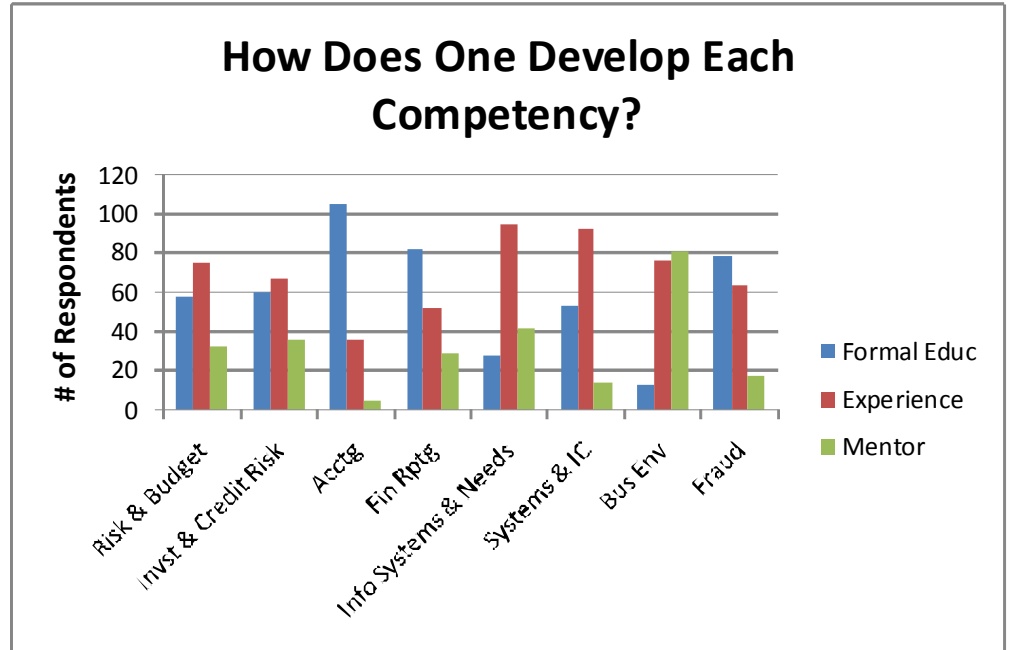
As the graph below shows, knowledge of the business environment receives the highest level of importance. This competency also has the greatest consensus. The competency of fraud prevention, detection and investigation receives the lowest level of importance and least consensus, but still ranks as more than moderately important.



Developing Each Steward Competency

In developing the Steward competencies overall, 63% of respondents reported experience as the best method, 54% reported education, and 29% reported using mentors.¹ The chart below reports the number of respondents choosing any or all three methods of developing each of the Steward competencies.

The “Formal Educ” category is listed in the survey as “Formal education program / seminar”.



For open-ended questions about how respondents built each of their own competencies, respondents report the following:

Response Category:	Description:	Number:
Experience	Experience, industry experience, audit experience	387
Education	Education, university, CA training, Canadian securities courses, industry seminars, seminars from risk management or insurance companies	340
On own	Using observation (6, including asking questions and listening carefully), computer tools (1), or self-study (91)	98
Working with others	Networking and teamwork	70
Mentor	Mentor	60
Discussions	Discussions with auditors (20), consultants (8), customers (3), lawyers (6), and vendors (13, including internal IT staff)	50
Total		1,005 ²

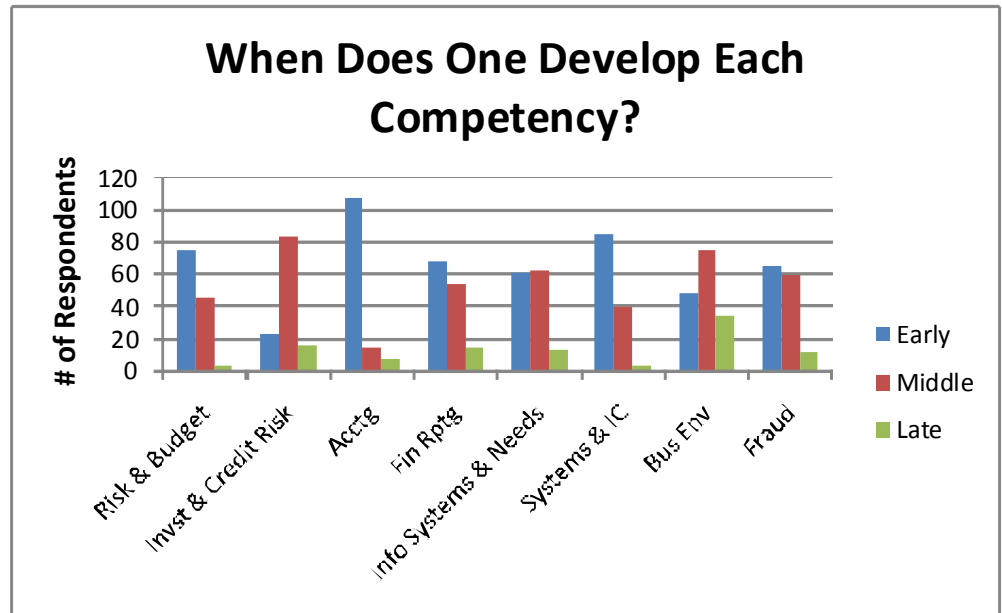
¹ The percentages add to more than 100% because respondents can choose more than one method. The same question for each competency will be reported in this way as well.

² Similar to the question of how to best develop each competency (see note 1), respondents answer this open-ended question with multiple methods of how they developed their own competencies. Thus the total of 1,005 is far greater than the number of respondents.

Overall, about 61% of respondents believed Steward competencies should be developed early in a career, 50% said middle, and 12% said late in a career.³ Respondents report the following Steward competencies in particular should be developed early:

- Accounting knowledge
- Understanding of systems, processes and internal controls over financial information
- Working knowledge of risk management, budget and forecasting tools

Competencies such as financial reporting, fraud



prevention/detection/investigation, and information systems/information needs appear to require attention both early and in the middle of one's career. Knowledge of investment and credit risks as well as knowledge of the business environment are best developed in the middle of one's career.

Operator Role

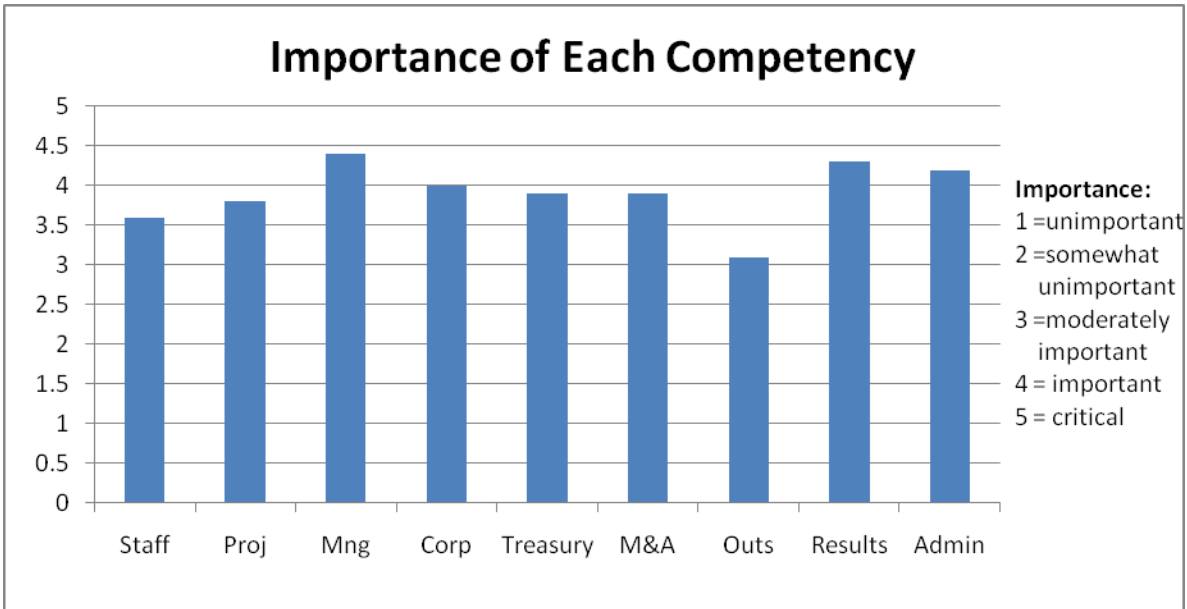
Following is the list of competencies under the Operator role:

1. Staff planning (Staff)
2. Project management (Proj)
3. Staff management, empowerment, team building, and accountability (Mng)
4. Corporate finance (Corp)
5. Treasury and investment management (Treas)
6. Mergers and acquisition, strategic alliances (M&A)
7. Outsourcing (Outs)
8. Achievement/results orientation (Results)
9. Organizational and administrative skills (Admin)

Importance of Each Operator Competency

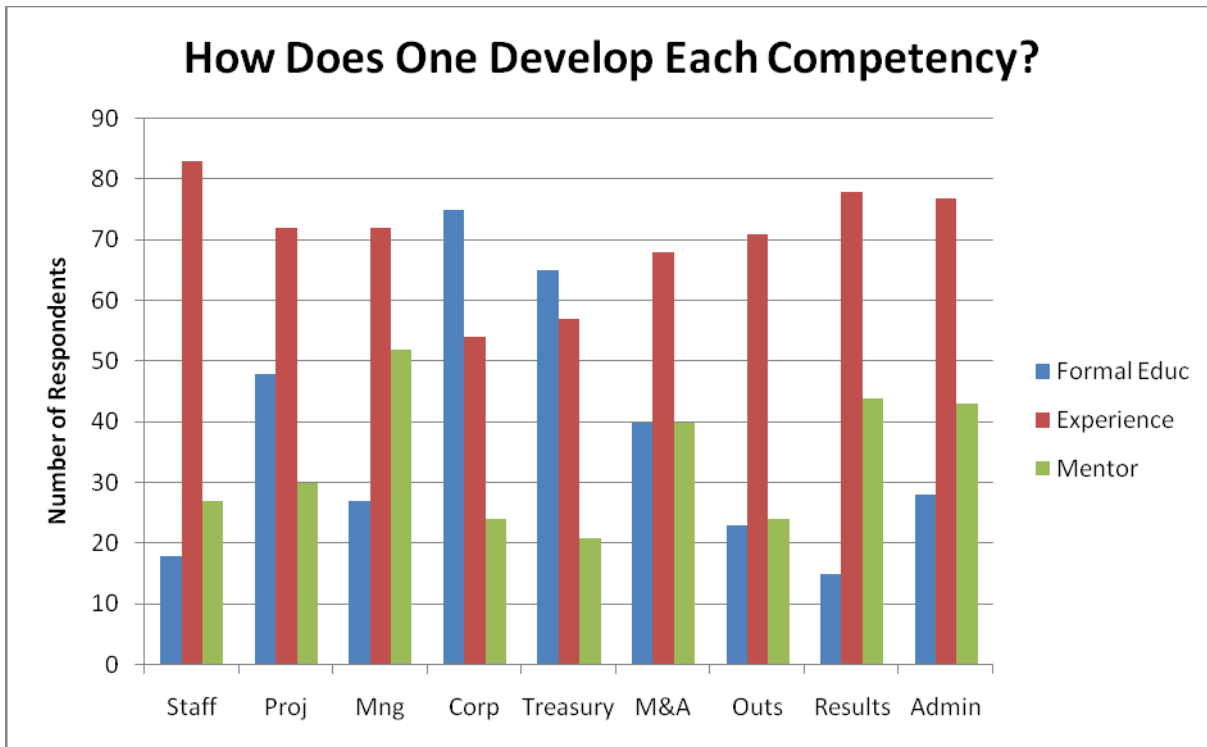
As the chart below reports, respondents ranked all Operator competencies as at least moderately important. Staff management, empowerment, team building, and accountability ranked as most important. Outsourcing received the lowest level of importance.

³ The percentages add to more than 100% because respondents can choose more than one time period. The same question for each competency will be reported in this way as well.



Developing Each Operator Competency

As reported by 73% of respondents, experience is the best method for developing competencies within the Operator role. Falling much lower is education (39%) and engaging a mentor (35% of respondents). It appears that only corporate finance, treasury and investment management are best developed primarily through some kind of formal education. See the chart below.

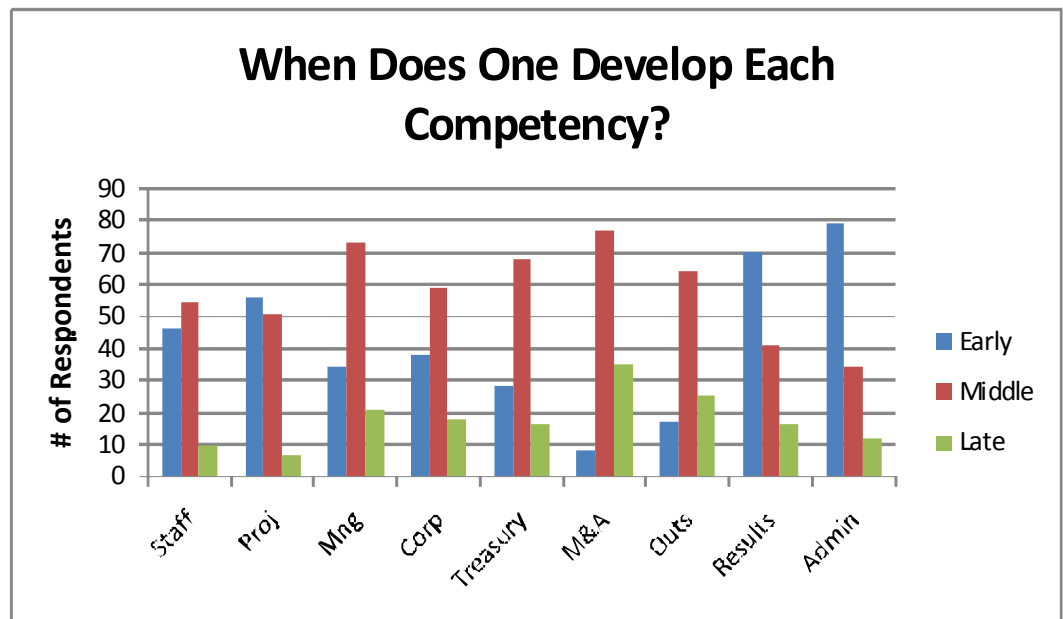


Results of the open-ended question asking how respondents developed their own competencies are summarized as follows:

Response Category:	Description:	Number:
Experience	Experience, audit experience, running own business	382
Education	Education, university, extra-curricular activities at school, CA training, internal training, corporate practices, DDI seminars, CBV program, CF course	138
On own	Using observation (14, including learning from mistakes and benchmarking) and self-study (35, including reading business press)	49
Working with others	Networking, teamwork, peer review, working with HR	30
Mentor	Mentor	67
Discussions	Discussions with consultants (13), investment bankers (10), lawyers (5), and vendors (5)	33
Total		699

Nine respondents indicated that outsourcing did not apply to their jobs. There was nothing systematically similar about these respondents to indicate that outsourcing is less important to a particular industry, job title, or public vs. private organization. One individual stated that, "A better subject would be cost reduction and containment, as outsourcing is not the only way to go."

About 43% of respondents felt that Operator competencies should be developed early in a career, 60% report in the middle and 18% report late in a career. A results orientation and



administrative/organizational skills would best be developed early in one's career. Five individuals suggested that an achievement/results orientation is mostly innate, while two individuals said the same about administrative/organization skills. Staff planning and project management appear to require development both early and in the middle of one's career, while the remaining competencies seem best developed somewhere in the middle.

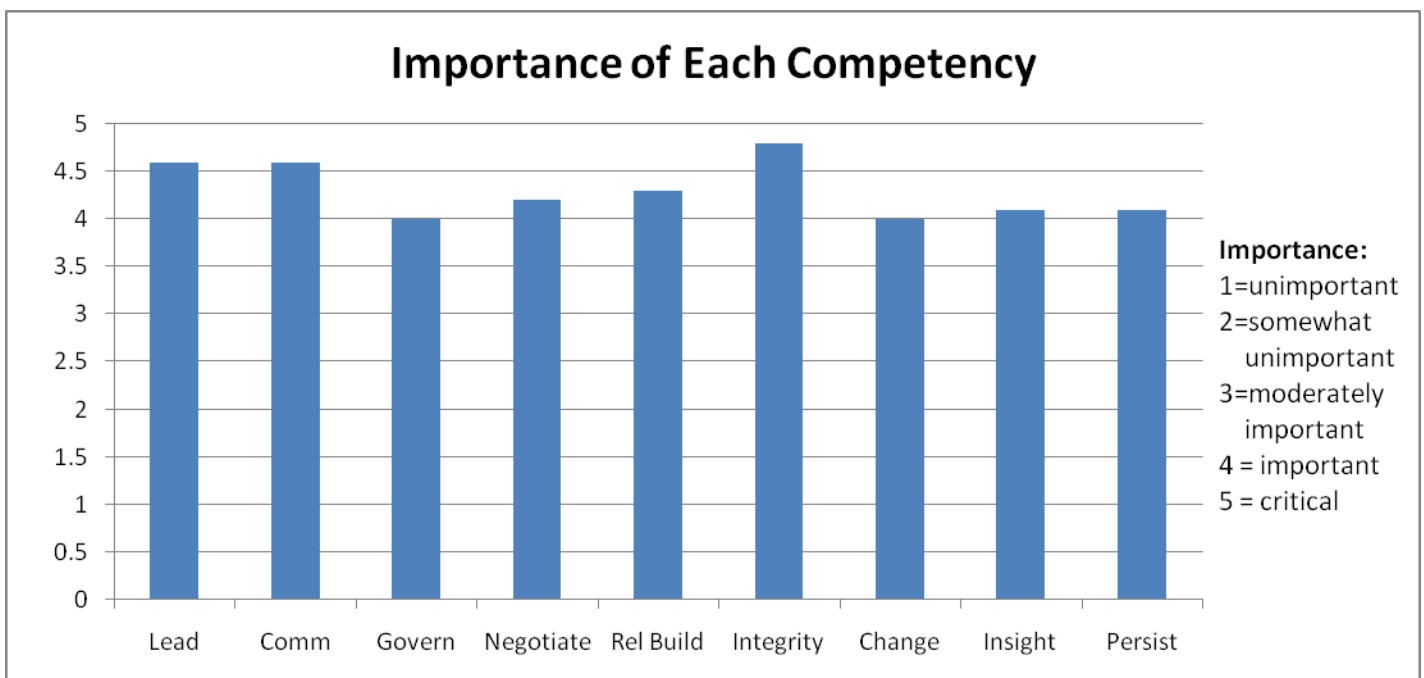
Catalyst Role

Following is the list of competencies under the Catalyst role:

1. Leadership and influence (Lead)
2. Communication/presentation skills and executive presence (Comm)
3. Corporate governance (Govern)
4. Negotiation (Negotiate)
5. Relationship building and collaboration (Rel Build)
6. Personal integrity and ethics (Integrity)
7. Change management and flexibility (Change)
8. Self-awareness and insight (Insight)
9. Persistence (Persist)

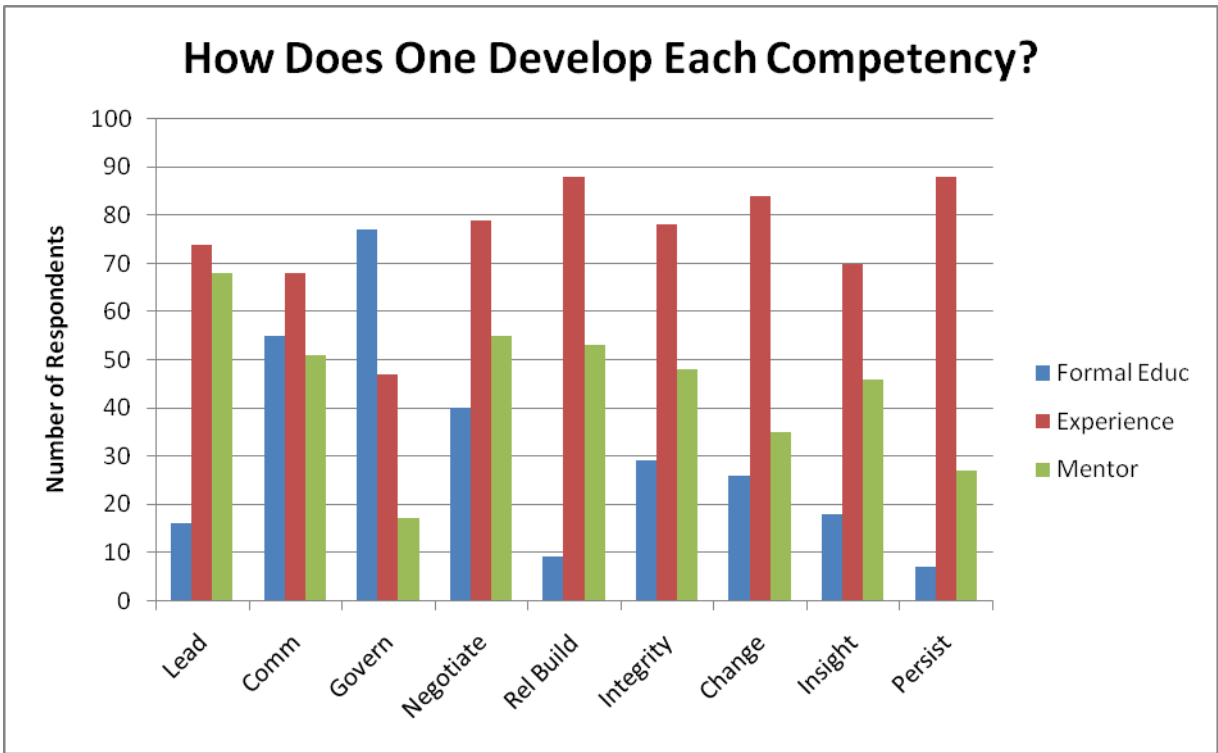
Importance of Each Catalyst Competency

Once again, all the competencies are ranked as important to the CFO's job. Personal integrity and ethics ranked the highest, as shown below, and had the greatest consensus. One respondent characterized personal integrity as "the price of admission."



Developing Each Catalyst Competency

Overall, 80% of respondents report that experience is the best way to develop the Catalyst competencies compared to mentors (47%) and education (33%). Corporate governance is the only Catalyst competency to develop primarily through formal education. All the other competencies are achieved primarily through experience.



Results of the open-ended question asking how respondents developed their own competencies are summarized as follows:

Response Category:	Description:	Number:
Experience	Experience, public accounting experience, parental influence, experience working for different organizations, trial and error, working in sales	280
Education	Education, university, extra-curricular activities at school, CA training, ICD, DDI, human behavior courses, teamwork in university courses, media training	126
On own	Using observation (13) and self-study (90, including own insight, learning what motivates others, examining mistakes of others, practice, reading financial press, being humbled)	103
Mentor	Mentor	80
Working with others	Networking, teamwork, peer review (360° feedback), volunteering (with junior achievement, charities, volunteer to lead projects)	19
Discussions	Discussions with audit committee (1), communications experts (3), customers (1), investment bankers (1), and lawyers (3)	9
Total		617

Some respondents felt that many Catalyst competencies are at least partially innate but can be further developed through other means. A few individuals believed certain competencies were absolutely innate and

cannot be developed. Following is a list of competencies and the number of respondents indicating they *can't* be developed:

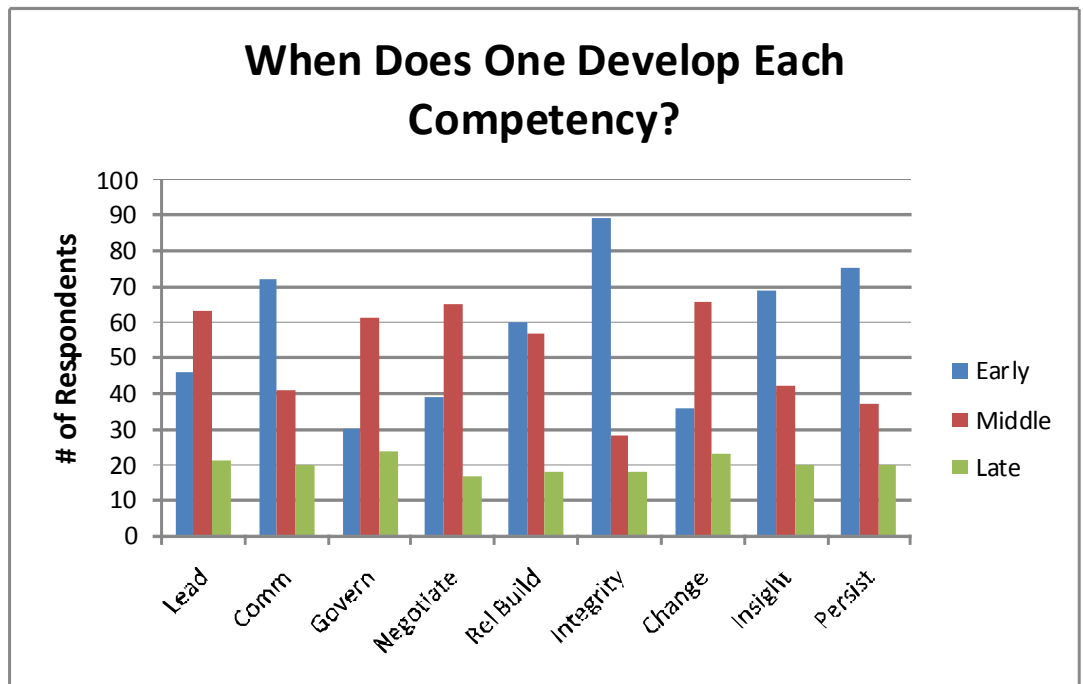
- Relationship building and collaboration (1 respondent)
- Personal integrity and ethics (7)
- Change management and flexibility (2)
- Self-awareness and insight (1)
- Persistence (7)

One respondent tells an interesting story with respect to self-awareness and insight::

“...I learned to accept my limitations. But also to focus on life balance. Following a major project where I worked day and night, I was called to [my superior’s] office and told to go away for two weeks and reflect on what is important to me in life. [My superior] reminded me that one needs to spend time reflecting and focusing on all aspects of one’s life, including family.”

Overall, 61% of respondents report that Catalyst competencies should be developed early, 54% say in mid-career, and 21% say late in a career. Communication/presentation skills and executive presence, personal integrity and ethics, self awareness and insight, and persistence should be developed early in one’s career.

Leadership and relationship building should be developed both early and in the middle, while the remaining competencies are primarily developed in the middle of one’s career.



Strategist Role

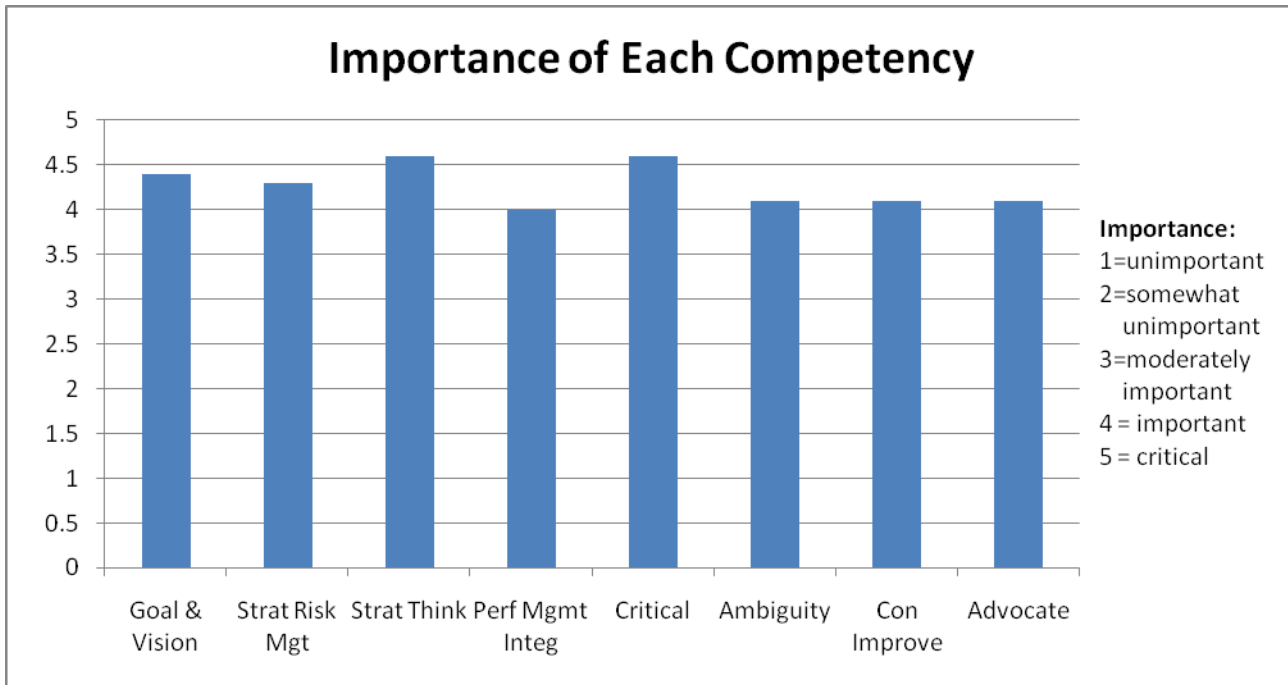
Following is the list of competencies under the Strategist role:

1. Goal setting and visioning (Goal & Vision)
2. Strategic risk management (Strat Risk Mgt)
3. Strategic thinking and decision-making (Strat Think)
4. Performance management integration (Perf Mgmt Integ)
5. Critical thinking (Critical)

- 6. Managing ambiguity (Ambiguity)
- 7. Dedication to continuous improvement (Cont Improve)
- 8. Advocate/ambassador for the organization (Advocate)

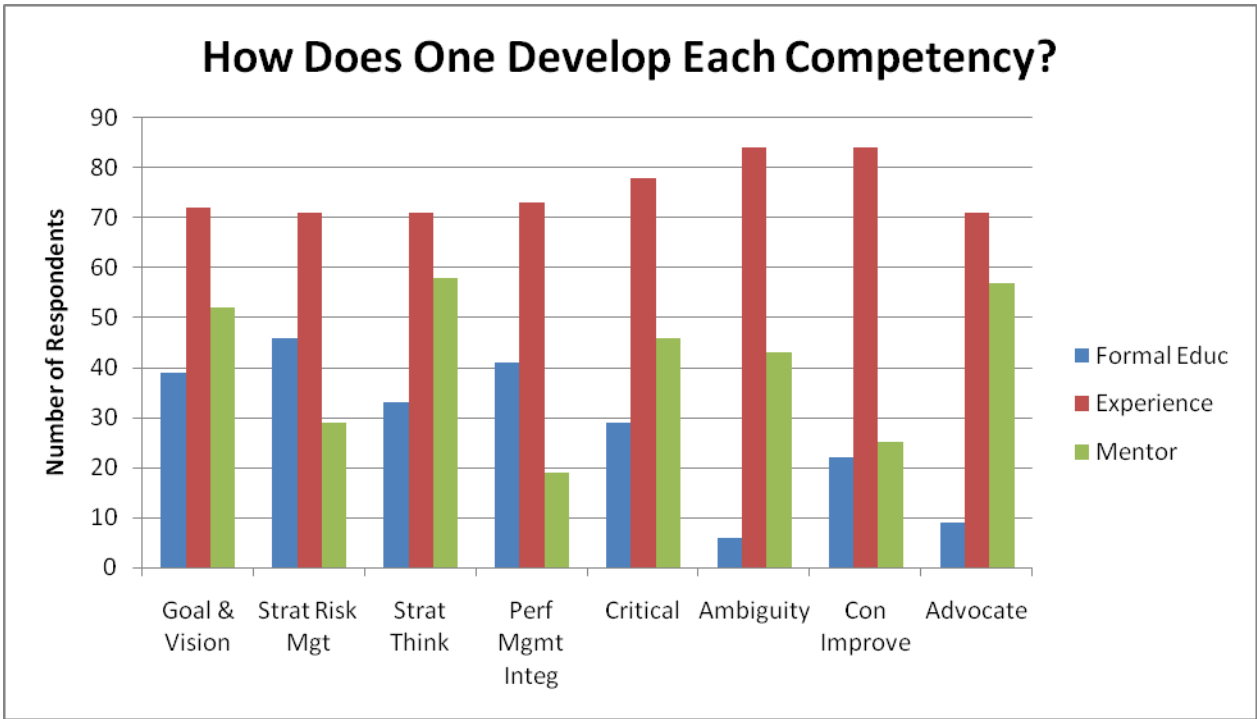
Importance of Each Strategist Competency

As with Catalyst competencies, all the Strategist competencies are deemed to be quite important. Both strategic and critical thinking were ranked the highest, with the greatest consensus on critical thinking.



Developing Each Strategist Competency

According to 81% of respondents, virtually all the Strategist competencies are best developed through experience. Mentoring was chosen second (44%) and education last (30%). Below is the chart of how each competency should be developed.



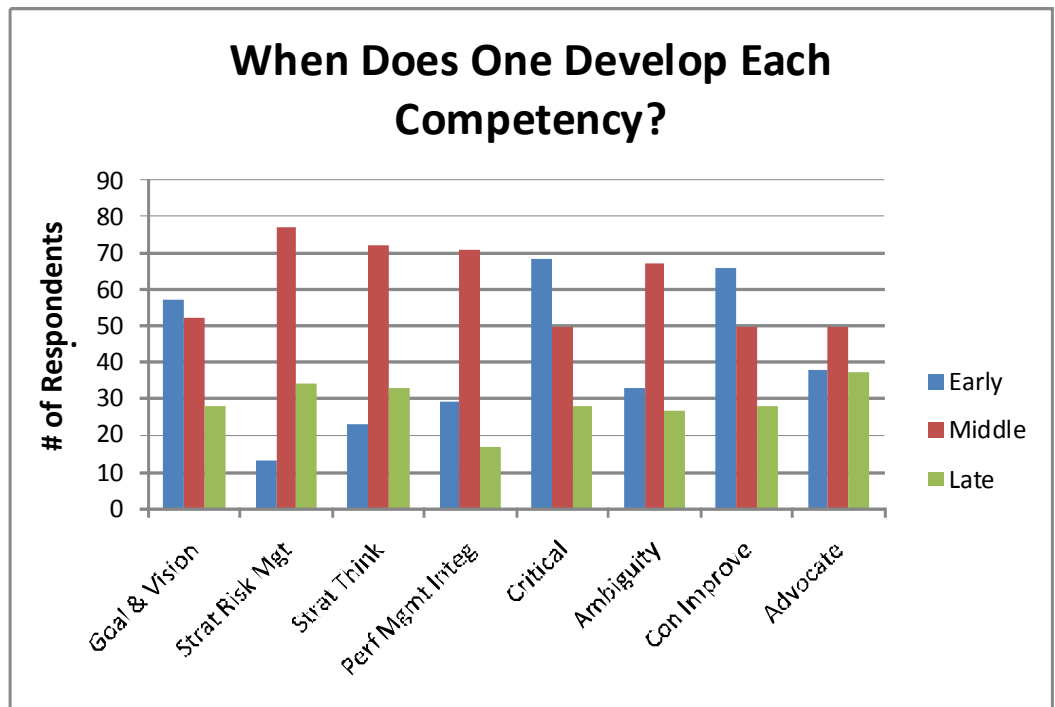
Results of the open-ended question asking how respondents developed their own competencies are summarized as follows:

Response Category:	Description:	Number:
Experience	Experience, learning from competitors, “getting burned,” establish and work toward common goals	224
Education	Education, university, extra-curricular activities at school, CA training, seminars from DDA and The Deming Charter	104
Mentor	Mentoring from senior management and board members	66
On own	Using observation (8) and self-study (51, including practice, self-discipline, asking a lot of questions). Being proud and believing in what you do	59
Working with others	Networking, teamwork, peer review (360° feedback), volunteering (taking opportunities to speak before external groups, joining action committees)	10
Discussions	Discussions with auditor (2) and consultants (1)	3
Total		466

Five respondents indicated that dedication to continuous improvement was innate.

Taken together, Strategist competencies should be developed during the middle of a career, as reported by 66% of respondents. 44% report that Strategist competencies should be developed early, while 31% said late in a career.

According to respondents, goal setting and visioning, critical thinking, and continuous improvement should begin to be developed early in one's career. The remainder should begin in the middle. These competencies also received the highest scores for developing late in one's career.



General Questions

The survey ends with broad and open-ended questions regarding what should be added or deleted from the list, how the competencies or roles may change in 5 to 10 years, and how the competencies or roles are different for CEOs vs. CFOs.

Respondents had several suggestions for adding competencies, including the following:

- Understanding the needs of different stakeholders and how to work with them (e.g. presentations made to the board require different skills than those made to labour unions)
- Intellectual property management
- Bridge builder with different groups within the organization
- Social conscience
- Cross-operational experience
- Business development and operations
- Marketing
- Emotional control
- Forward thinker
- Level headedness
- Respect from peers

Several respondents indicated that working with people at all levels is critical. This theme included developing subordinates, team building, empowering subordinates, and networking.

The Future CFO

An important question in the survey is whether and how the importance of competencies may change over the next 5 to 10 years. Answers were wide-ranging, and are summarized as follows:

- Less accounting and more business development and operations
- Refocus on technical skills with the implications of IFRS
- Implications of environmental factors on the business
- More integration of regulatory environment outlook with business environment outlook
- Better and continuous communication with many stakeholders
- Information management
- Outsourcing as more individuals retire
- As globalization increases, better understanding of the world economy and being multi-lingual
- Even more adaptability and flexibility
- Ethics and social responsibility
- Risk management due to heightened corporate risk
- IT capabilities
- Corporate governance and internal controls

Given this list, it appears that each role will remain important with its own future considerations (i.e. IFRS relates to Steward, outsourcing relates to Operator, corporate governance relates to Catalyst). However, it appears that most of the items relate to the Strategist role (i.e. implications of environmental factors, communication with stakeholders, understanding of world economy, adaptability and flexibility, ethics and social responsibility).

Role Differences: CEO and CFO

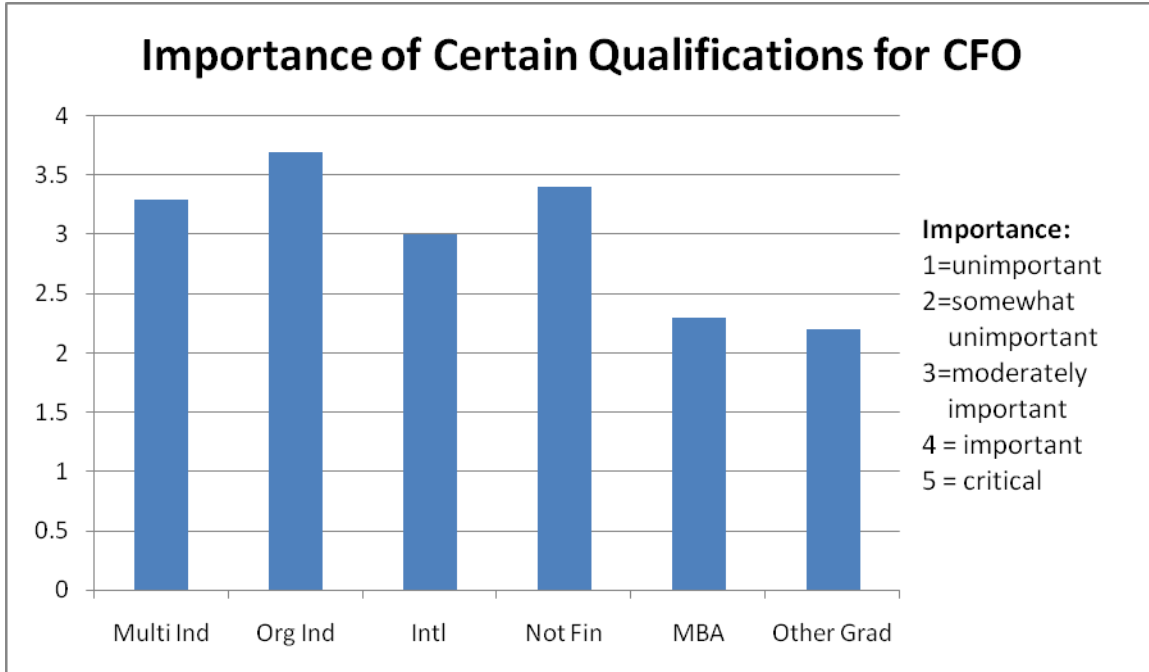
Finally, the survey asks an open-ended question regarding the differences in these roles and competencies for a CEO vs. CFO. The theme in the answers is unmistakable. The CEO must excel in the Strategist competencies, as well as some of the Catalyst competencies. Of those who responded to this question, almost 75% listed visionary, strategist, external focus on stakeholders, macro level, and strong interpersonal skills as more important to a CEO than a CFO. Several (20%) indicated that these skills are also required for CFOs but the weighting is greater for CEOs.

CFO Qualifications

Given that there are many ways to develop competencies, respondents were asked about the importance of each of the following qualifications for obtaining a CFO position. Selections include the following:

1. Multi-industry experience (Multi Ind)
2. Organization's industry experience (Org Ind)
3. International experience (Intl)
4. Experience outside finance function (Not Fin)
5. MBA
6. Other postgraduate degree (Other Grad)?

The most important, on average, is experience within the organization's own industry. Education in the form of an MBA or other post-graduate degree received the lowest level of importance from respondents.



Respondents were also asked whether a career path within industry (rather than the traditional path through CA firms) would be equally well-suited for a CFO role. Respondents appear to be divided with 38 respondents (45%) answering yes and 47 respondents (55%) answering no. When asked why, respondents often articulated details about how their own career path served them well.