

BUSINESS COMMUNICATION: ISSUES FOR MANAGEMENT ACCOUNTANTS

The role of accountants within companies has been changing rapidly in recent decades. Once employed to simply report numbers, management accountants are now called upon to interpret those numbers and provide recommendations and guidance to other executives. In this expanded role, successful management accountants need excellent communication skills to be able to serve as business advisers. As future CFOs, current management accountants need to be prepared for the highest level of responsibility. This chapter will discuss the evolving nature of current and future CFO roles and responsibilities as well as barriers to effectively communicating complex data.

THE CHANGING ROLE OF THE CFO

Jim Morrison, now the CFO of Teknor Apex Co., a diversified material science company headquartered in Pawtucket, Rhode Island, remembers a time earlier in his career when he worked in the accounting department of Monsanto. A financial analyst, he was in a different location than the business manager he was supporting. It was not an efficient work arrangement, and after he was promoted to manager of financial analysis, he asked for and received approval to move from accounting to business operations. (See interview 1 in appendix A for Morrison's thoughts on how to communicate effectively.)

Morrison's original inefficient work arrangement was not an uncommon one. At many companies, management accountants were separate from line managers, and corporate accounting was largely a history lesson. Accountants provided a detailed look at an organisation's past performance based on revenues, profits or losses, operating expenses, capital expenditures and many other metrics. Those numbers were useful mainly in telling management where a company had been but not where it was going. This was somewhat analogous to the management of a baseball team looking at a player's statistics (his performance history) and trying to decide whether he would continue to perform at the same level. Past performance was no guarantee of future results.

In any case, corporate managers often had difficulty trying to understand the information accountants provided. Accountants seemed to speak a different language, one understood by their peers but not necessarily by others. Nor were accountants always adept at providing clear explanations. As a result, management accountants were largely confined to the periphery of companies, providing support but not deeply engaged in the management of the enterprise.

Over the past decade, the role of the CFO and other finance professionals has begun to transform. An article in the *Harvard Business Review* notes how much the CFO's function has changed: 'Prior to the early 2000s, the typical CFO was a bean counter, responsible mainly for reporting the numbers, measuring performance with integrity and accuracy, and managing the company's checks-and-balances processes.'¹ The purview of CFOs was narrow and largely confined to their own departments.

No more.

Now, the top finance job has a wide scope and demands skills beyond the fundamental skills in finance, investment and capital management. The new job of CFO demands a far broader background, including experience with capital markets, mergers and information technologies, as well as operations and other corporate functional areas. CFOs and other senior finance executives are now strategic business partners, providing critical analysis and strategic insights that inform executive decision making. The role of CFO in the organisation has become more prominent and their influence and authority far greater than in the past. 'Few jobs today can rival the CFO's role in terms of breadth, influence and profile,' Ernst & Young said in a report.² The report goes on to argue that the CFO position has become the most influential role in the organisation, especially in times of economic uncertainty, and as financial leadership is needed to cope with issues like cash flow and unpredictable demand.

Because the CFO as adviser is a relatively new role, some management accountants may not be prepared for the increased breadth of experience required. 'Finance professionals have moved beyond simply reporting and record keeping to serving as strategic advisors to management,' said Kenneth Kelly, senior vice president and controller at McCormick & Company, a global company that markets and distributes spices, seasoning mixes, condiments and other flavourful products. 'Today the key question for finance professionals is how to work with management to grow the business.' (See interview 2 in appendix A, where Kelly discusses how McCormick helps managers and employees develop communication and other skills.) Although CFOs may have more influence, their rapidly changing jobs may require new skills for which they were not prepared. According to a CGMA report, 'For many, finance leadership roles, and the CFO role in particular, are more diverse and complex than ever before.'³ Based on interviews and roundtables with senior professionals globally, the report found that two-thirds of CFOs thought the CFO title did not adequately describe the scope and complexity of their responsibilities.

With the evolution of roles and responsibilities, new skill sets for CFOs are essential to achieve and maintain success at the highest levels. In particular, strong communication skills are now a necessary part of the CFO role. In a report based on interviews with international CFOs, Ernst and Young said one of its key findings was that CFOs must be highly skilled communicators. 'Communications skills are an imperative, as CFOs must convey complex financial results and business performance to external stakeholders while championing specific initiatives internally,' the report said.⁴

CFO RESPONSIBILITIES

To provide a framework for discussing how a robust set of communication skills fits in with a changing paradigm for CFOs, it is important to outline the primary duties CFOs share. Although the duties and responsibilities of CFOs vary depending on the company and other variables, CFOs generally focus on areas that require interactions with many facets of the company, including

-
- ensuring business decisions are grounded in solid financial criteria.
 - providing insight and analysis to support the CEO and other senior managers.
 - leading key initiatives in finance that support overall strategic goals.
 - funding, enabling and executing the strategy set by the CEO.
 - developing and defining the overall strategy for the organisation.
 - representing the organisation's progress on external goals to strategic stakeholders.⁵

Being able to communicate information and strategy to internal and external stakeholders is a vital skill that underpins many of these responsibilities. The sections that follow represent examples of major roles in which CFOs are expected to provide leadership. These roles exist for each of the responsibilities previously listed (and extend to additional CFO responsibilities) but will certainly be applied differently.

Finding Insights in Data

Turning the information and data generated by organisations into meaningful insights that the business can use to plan and make decisions can be particularly challenging. A CGMA report based on interviews with senior professionals worldwide confirms that 'participants are quite clear that organisations need better information and analysis, but the crucial skills required are the insight and capability to act on it.'⁶ That is where CFOs come in. CFOs—with the support of management accountants and others in the organisation—can provide the insights to help companies make informed decisions about managing data.

Budgeting

The restructuring of the budget process is an example of CFOs leading key initiatives. Some companies have abandoned the traditional budget as an archaic tool that does not meet the needs of modern corporations in today's fast-changing business environment. Preparing an annual budget can be a time-consuming and expensive process, and in some cases, by the time management finally approves it, it is out of date. Dissatisfaction with traditional budgeting is part of a larger concern with traditional planning processes. In a survey of 273 companies worldwide, Accenture found that only 11% of companies surveyed are fully satisfied with their planning capabilities.⁷

As alternatives to traditional budgeting, some companies are adopting rolling forecasts, flexible budgets and event-driven planning. Thus, a company might use a six-month or eight-month rolling forecast and revise it based on events such as stronger-than-anticipated demand for its products or services or higher-than-expected materials costs. Other companies are retaining the traditional budget but using it in combination with flexible rolling forecasts. Whatever approach they take to budgeting, companies are looking to their CFOs to provide leadership in the budgeting process.

Measuring Value

The value that people bring to companies is of paramount concern to corporate leaders, according to a CGMA report. 'CEOs consider that the first challenge is to understand **value**—where it comes from and how much there is of it. They see people's ideas, skills, knowledge and relationships representing the unique value of their companies.'⁸

The question is—how can value be measured? The CGMA report notes that although it is difficult to measure and manage the value of human resources, companies who want to achieve long-term success need to overcome the challenge. To do so, CEOs need people equipped for the task who can develop tools and lead initiatives to measure and manage value. Often, CFOs are the ones called upon to tackle assignments such as measuring value.

Managing Risk

Even as the role and responsibilities of the CFO expand, the global recession and the financial crises of recent years have increased the importance of the CFO's traditional role of financial leader. Increasingly, company boards and management are looking to their CFOs for risk management leadership not only within finance but also across the corporation. CFOs are working more closely with audit committees, as well as with directors of tax, information technology and others in the organisation to better identify, manage and mitigate risks.

With such broad responsibilities and accountability to different constituencies, CFOs find themselves in a balancing act. 'The best CFOs balance accountability to the board and shareholders for maintaining the integrity of the financials and appropriate risk management with loyalty to the CEO,' *Bloomberg BusinessWeek* commented.⁹

SPECIFIC COMMUNICATION CHALLENGES CFOS FACE

The previous section explained the variety of roles and responsibilities CFOs are expected to perform. As the scope of responsibilities for CFOs increases, they face the challenge of communicating complex issues to internal and external stakeholders. As appetite for all facets of business data increases, accountants must be prepared not only to provide appropriate data, but also to identify how to effectively communicate information to a diverse set of stakeholders. The following two sections discuss specific communication challenges that management accountants face: explaining complex issues and communicating with investors.

Explaining Complex Issues

Finding insights in data, budgeting, measuring value and managing risk all require the ability to provide simple, but not simplistic, explanations of complex issues. Communicating these complex issues to a variety of audiences is one of the biggest challenges that financial professionals face. Audiences including investors, financial analysts, customers, partners and employees rely on the information communicated by financial professionals to make important decisions. With information available 24 hours a day, 7 days a week in myriad formats, stakeholders demand accuracy and transparency. More than ever before, CFOs are expected to be world-class communicators.

Box 1-1 provides an overview of the goals and responsibilities of company boards and management. It shows how management accountants generally, and certified global management accountants (CGMAs) specifically, can help boards and management achieve their goals.

The left column lists the aims, roles, skills, behaviours and influences of company boards and management. For example, a role might be to develop short- and long-term strategies for achieving the aims of their companies. Skills include the ability to assess and mitigate risk or allocate capital and resources. A behaviour is articulating a clear vision for the company. It could also be considered a communication skill.

The right column shows how management accountants, specifically CGMAs, assist boards and management. The aim of boards and management is the company's long-term success. Management accountants link this aim with the business. The link enables the right decisions to be made, appropriately funded and correctly implemented throughout the organisation.

Box 1-1: Board/management requirements and CGMA capabilities

	What the board or management needs	How a CGMA delivers
Aims	Responsible for leading long-term, sustainable success of the company or organisation	Links the board objectives and the business, enabling the right decisions to be made, be appropriately funded and correctly implemented throughout the organisation—short- and long-term
Roles	<p>Determine/approve/oversee</p> <ul style="list-style-type: none"> • Short- and long-term strategy • Business model • Risk appetite 	<ul style="list-style-type: none"> • Manage performance, support and drive decision making • Be the ‘financially grounded business navigator’ • Understand both the business and its finances • Creating, reporting and preserving value
Skills	<p>Quality decision making:</p> <ul style="list-style-type: none"> • Strategic development • Risk mitigation and assessment <p>Oversight of</p> <ul style="list-style-type: none"> • Capital and source allocation • Strategy implementation • Enterprise risk management • Business control • Talent identification, assessment and development <p>Setting incentives:</p> <ul style="list-style-type: none"> • Executive pay • Bonuses • Results related pay 	<p>Management Accounting</p> <ul style="list-style-type: none"> • Map journey—strategy to planning to execution • Align key performance indicators to outcomes • Business support, eg, scenario planning, pricing • Quality information, analysis and evaluation—decisions and sources allocation • Cost leadership and improved productivity • Project and investment appraisal • Tax risk management and planning • Treasury and cash management • Enterprise risk management • Business control • Oversight—control and performance management • Effective management information (financial and non-financial) • External reporting
		<p>Managerial</p> <ul style="list-style-type: none"> • Communication—translate complexity • Strategic change, project, relationship and operational management

Continued on p. 10

Continued from p. 9

	What the board or management needs	How a CGMA delivers
		Data and Process <ul style="list-style-type: none"> • Transparency • Quality internal/external data (knowledge/data-warehouse) • Accounting operations
Behaviours	<ul style="list-style-type: none"> • Sets appropriate tone • Articulates clear vision • Inspires and empowers • Looks forward and outward 	<ul style="list-style-type: none"> • Acts with integrity • Offers constructive challenges and objective view • Is the ethical conscience of the organisation
Influence	<ul style="list-style-type: none"> • Customers • The business • Business partners • Community and environmental stakeholders • Regulators • Shareholders 	<ul style="list-style-type: none"> • The board • Senior management • Colleagues in all departments • Peers in finance function • Business partners

Source: 'How Management Accounting Drives Sustainable Success,' Chartered Institute of Management Accountants. www.cimaglobal.com/Global/CGMA/Role_Of_Management_Accounting.pdf

Among their many roles, management accountants help navigate the business, as well as support and drive decision making. In addition to their many management accounting skills, they provide quality information upon which business decisions are based; provide oversight, including control and performance management; and align key performance indicators and outcomes. In other words, they help ensure the business is performing as expected. As noted in the previous managerial section, management accountants play a key role as communicators, helping to translate complexity into information that senior executives can understand and act on.

Communicating With Investors

CFOs are increasing their efforts to communicate more frequently with investors about their companies' investment activities, especially regarding emerging trends like rapid-growth markets. Investors say that they would like to see more narrative reporting that explains how the business intends to create value and provide greater clarity on key risks. Yet, more than two-thirds of CFOs surveyed in an Ernst & Young report said they find it difficult to convey an over-arching narrative when balancing investments across these markets.¹⁰

Other challenges for CFOs in communicating with investors and other stakeholders were examined in the Ernst & Young report. Based on interviews with CFOs, the report noted that more business leaders are looking to the world's rapid-growth markets to sustain growth. Traditional reporting frameworks and communication strategies need to be re-evaluated when managing this type of investment. CFOs need to be able to communicate their investment strategies to investors despite inadequate data and poor transparency. They may also need to explain their rationale to investors who question their interpretation of the market.

CORE SKILLS FOR MANAGEMENT ACCOUNTANTS

So far, this chapter has focused on the responsibilities and challenges facing management accountants who already occupy leadership positions. However, accountants who aspire to climb higher on the career ladder can use this information to better prepare themselves to become effective CFOs. The challenge for aspiring leaders currently working at the staff level or in middle management is to find opportunities in their organisations to develop the broad skills required of CFOs. Among these skills are

- leadership skills, beginning with helping the CEO unite people behind a shared vision for the organisation and inspiring them to achieve that vision.
- facilitation skills, or taking the initiative to help line managers and others in the organisation to achieve objectives or find solutions.
- breadth of finance experience in all facets of the function, including financial reporting and tax.
- broad commercial skills developed from experience in a company's operating businesses.
- building relationships with senior management and the board, as well as outside stakeholders, including shareholders, lenders, rating agencies and the media.
- international experience, including working in emerging or developing markets.^{11,12}

Management accountants who start their careers with strong communication skills will be better prepared to face the challenges they will encounter wherever their career path leads. Listening, speaking and writing skills can benefit management accountants working at every level in today's global marketplace. A CFO can lead only by helping to articulate the company's vision. A management accountant can learn the operating business only by listening to and talking with business managers. An American management accountant working in Asia for a global company must learn to communicate with people of different cultures, social norms and worldviews.

The rest of this section focuses on the six core skills that CFOs should possess and that the next generation of CFOs can begin to hone now: communication, building relationships, participation in training programmes, taking the initiative to learn, meeting expectations and managing change.

Communication

The core skill underlying all the CFO skills outlined in the preceding list is the ability to communicate effectively. Leaders must have strong communication skills. A management accountant must be able to communicate with people across the organisation in order to acquire broad commercial skills. Communication skills allow management accountants to cultivate and maintain relationships with senior management, clients and stakeholders. Those relationships are the focus of the next skill.

Building Relationships

The skills, expertise and experience required of CFOs are so broad that it would be particularly difficult for a CFO to master everything. CFOs must be adept at building relationships with those who can complement their skills, for example, by naming individuals or forming teams to advise them on areas such as information technology or mergers and acquisitions.

Those who can master the broad and complex skills required of the modern CFO will be in strong demand. In a global survey of executives, the Economist Intelligence Unit asked them which skills are most difficult to find in candidates for senior executive positions. The large percentage—*or more than half the executives*—said candidates with ‘strategic vision’ skills would be hardest to find. About a third said ‘analytical skills’ and ‘ability to handle complexity’ would be the most difficult to find.¹³

Participation in Training Programmes

More companies are instituting programmes for the training and development of the next generation of CFOs and other leaders, including the development of strong communication skills. In some companies, training is informal or loosely coordinated with other divisions. In others, formal training extends all the way up to the CFO level. These companies are preparing CFOs to become CEOs by rotating them through division operations roles to give them more commercial experience.¹⁴

At yet other companies, it may be difficult for management accountants to get the necessary training and experience for future leadership roles, among other reasons because companies may not have a plan for rotating them through business lines and operating groups to give them broad exposure to the business. The failure of companies to prepare management accountants to move up in the organisation—the organisations’ lack of bench strength—could cause them problems. Despite the current recession, global demand for accountants is strong. Some management accountants could leave organisations that do not provide the necessary training and opportunities. When their CFOs retire or move on to other organisations, these companies may not have qualified internal candidates to replace them, and they may have to recruit outside the organisation, usually at greater cost, and with the risk that the outside hire might not work out.¹⁵

Taking the Initiative to Learn

Regardless of whether management accountants work for companies that provide training, they should take the initiative to learn about their organisation, its business lines and its operations. They could do this by volunteering to lead projects or by asking to work in different parts of the organisation. They could also work to improve their communication skills through reading, learning on the job, training through the company or other sources, such as courses offered by local universities and professional organisations.

Meeting Expectations

Finance professionals are well aware of their changing role within companies. They recognise that they are expected to spend more time providing support to business managers. A CGMA report examining this trend further noted that finance professionals ‘recognise that they need to develop the ability to contribute commercial insight and influencing or managerial skills. These enhanced skills are necessary to help them to succeed in their careers as management accountants and for them to help their employers’ businesses to succeed.’¹⁶

Although finance professionals are expected to contribute more, they often face constraints in trying to support business managers beyond the scope of their traditional duties. Difficulties they face in meeting expanded expectations include lack of time to take on extra duties or learn new skills, no feeling of internal obligation to acquire new responsibilities, or they may be slow to acquire new capabilities. Above all, financial professionals must have basic communication skills to meet the broad expectations of their internal and external stakeholders. Without these skills, they could struggle as they move up the corporate ladder. The good news is that the CGMA report also found that finance professionals already have core technical skills and professional credibility. Through continuing professional development, they can earn a mandate for a broader role by delivering the insight and support that organisations need to sustain their success.

Managing Change

Companies need finance professionals who are skilled in managing change. Half of the senior executives responding to a survey conducted by the CGMA programme said the top skill they are looking for in their staff is experience with or knowledge of change management.¹⁷ The executives also sought staff with experience in different business sectors and with emerging markets and fast-growth economies. Few of the executives felt they already had the finance staff with these key skills.

Throughout this chapter, you have been exposed to a number of issues facing management accountants today. The role of finance professionals is rapidly changing, as are the expectations of business leaders and stakeholders. In addition, the next generation entering the workforce demands greater guidance and development opportunities. Now, more than ever, management accountants need excellent communication skills to be able to overcome the challenges facing them. The rest of this book will help you to develop those skills and guide you to sources to address your specific needs.

CHAPTER SUMMARY

- Finance professionals have moved beyond simply reporting and record keeping to serving as strategic advisers to management.
- Today, CFOs and other senior finance executives are strategic business partners to senior management, providing critical analysis and strategic insights that inform executive decision making.
- One of the biggest challenges facing CFOs is to communicate complex issues in ways that a variety of audiences can understand.
- Companies need to provide management accountants with experience in the commercial side of the organisation and help them to develop the communication, leadership and other skills to advance to leadership positions.
- Management accountants themselves must take the initiative in developing their communication and other skills. This will open the door to career opportunities across the organisation.

Endnotes

- 1 Boris Groysberg, L. Kevin Kelly and Bryan MacDonald, 'The New Path to the C-Suite,' *Harvard Business Review*, Mar. 2011 <http://hbr.org/2011/03/the-new-path-to-the-c-suite/ar/1>
- 2 'Finance forte: the future of finance leadership,' Ernst & Young [website], Mar. 2011. www.ey.com/GL/en/Services/Assurance/Finance-forte--the-future-of-finance-leadership
- 3 CGMA stands for chartered global management accountant. For a description of the CGMA designation, its purpose and its value, visit CGMA.org. CGMA Report: 'The Fast Track-Track to Leadership: The challenges, opportunities and action plan,' AICPA and CIMA www.cgma.org/Resources/Reports/DownloadableDocuments/CGMA_Fast_Track_to_leadership.PDF
- 4 'Views. Visions. Insights. The Evolving Role of Today's CFO,' Ernst & Young [website]. Jun. 2012 www.ey.com/GL/en/Issues/Managing-finance/The-DNA-of-the-CFO---perspectives-on-the-evolving-role
- 5 'Views. Vision. Insights. The evolving role of today's CFO,' Ernst & Young [website] [www.ey.com/Publication/vwLUAssets/Americas_CFO_VisionInsights_062012/\\$FILE/Americas_CFO_VisionInsights_062012.pdf](http://www.ey.com/Publication/vwLUAssets/Americas_CFO_VisionInsights_062012/$FILE/Americas_CFO_VisionInsights_062012.pdf)
- 6 CGMA Report, 'Fast Track to Leadership: The Challenges, Opportunities and Action Plan,' AICPA and CIMA www.cgma.org/Resources/Reports/DownloadableDocuments/CGMA_Fast_Track_to_leadership.PDF
- 7 Robert Bergstrom, Sarah Batchelor and George Marcotte, 'The Future Used to be Easier: Planning for Success in a Dynamic Environment,' Accenture [website] www.accenture.com/SiteCollectionDocuments/PDF/Accenture_The_Future_Used_To_Be_Easier_Palnning_Success_Dynamic_Environments.pdf
- 8 CGMA Report, 'Rebooting Business: Valuing the Human Dimension,' AICPA and CIMA www.cncima.com/uploads/docs/CGMA_launch_report_-_REBOOTING_BUSINESS__VALUING_THE_HUMAN_DIMENSION.pdf
- 9 Karen D. Quint and T. Christopher Butler, 'Boards and the Expanding Role of the CFO,' *Bloomberg BusinessWeek*, Sept. 2009 www.businessweek.com/managing/content/sep2009/ca20090922_634820.htm
- 10 'A tale of two markets: Telling the story of investment across developed and rapid-growth markets,' Ernst & Young [website] [www.ey.com/Publication/vwLUAssets/CFO_A_tale_of_two_markets/\\$FILE/CFO_A_tale_of_two_markets.pdf](http://www.ey.com/Publication/vwLUAssets/CFO_A_tale_of_two_markets/$FILE/CFO_A_tale_of_two_markets.pdf)
- 11 'Preparing tomorrow's leaders: nine steps that CFOs can take now to prepare for the future,' Ernst & Young [website] www.ey.com/GL/en/Services/Assurance/Finance-forte--the-future-of-finance-leadership---Nine-steps-for-CFOs-to-prepare-for-the-future
- 12 Matthew G. Lamoreaux. 'CFO 101: Five Prerequisites,' *Journal of Accountancy*, Sept. 2009 www.journalofaccountancy.com/Issues/2009/Sep/20091501.htm
- 13 'Plugging the skills gap: Shortages among plenty,' *The Economist*, Economist Intelligence Unit, 2012 www.managementthinking.eiu.com/sites/default/files/downloads/EIU_SuccessFactor.pdf
- 14 David McCann, 'For CFOs, There's No Place Like Home,' CFO [website], 9 Mar. 2012 www3.cfo.com/article/2012/3/job-hunting_heidrick-struggles-cfo-turnover
- 15 Maxwell Murphy, 'The Inside/Outside Pay Gap,' *CFO Journal*, Sept. 2012 <http://blogs.wsj.com/cfo/2012/09/11/the-insideoutside-pay-gap/>
- 16 CGMA Report, 'New Skills, Existing Talents: The new mandate for finance professionals in supporting long-term business success,' www.cgma.org/Resources/Reports/DownloadableDocuments/CGMA_new_skills_existing_talents.pdf
- 17 Emily Chasan, 'Economic Volatility Heats Up War for Finance Talent,' *The Wall Street Journal*, 17 Sept. 2012 http://blogs.wsj.com/cfo/2012/09/17/economic-volatility-heats-up-war-for-finance-talent/?mod=wsj_valetleft_email