

Skill Sets and Competencies of Chief Financial Officers (CFOs) in India

Dr. Rejoice Thomas

Abstract--- *The superior performance and excellence in all endeavors humankind has ever strived, the focus has been “what are the factor / characteristics which will result in better individual behavior and performance?” Some of the factors suggested by researchers include the heredity, gender, size and shape of the head, skin color, handwriting, IQ and the list continues. With respect to work and organizational requirements, some of the skills like technical knowledge, years of experience, educational qualifications etc. will result in better individual behavior and performance.*

Keywords--- *Skill Sets, Chief Financial Officers, Behavior and Performance.*

I. INTRODUCTION TO COMPETENCY

1.1 History of Competency

‘How to predict the individual performance’ - has been one of the most researched and discussed topic among management. The superior performance and excellence in all endeavors humankind has ever strived, the focus has been “what are the factor / characteristics which will result in better individual behavior and performance?” Some of the factors suggested by researchers include the heredity, gender, size and shape of the head, skin color, handwriting, IQ and the list continues. With respect to work and organizational requirements, some of the skills like technical knowledge, years of experience, educational qualifications etc. will result in better individual behavior and performance. The study on the subject of the competencies started in the early 1970s by a psychologist named David McClelland, from Harvard University. In the year 1973, McClelland published a research paper entitled “Testing for Competence Rather Than Intelligence”. In this paper, he founded a theory on competency and he demonstrated how it results in higher job performance. He proved that personality characteristics and behavioral traits of an individual are more powerful than his/her aptitude tests to prove which individual would be successful on the particular job. McClelland said, “Superior performers did things such as exercise good judgment, notice problems and take actions to address them and set challenging goals- that is displayed behaviors relatively independent of aptitude, skill proficiency, and experience level.” (McClelland, 1973)

Competencies are portrayed in the manner how an individual behaves and the ‘competency models’ give a clear outline/diagram for in-depth performance feedback to an employee and further training the employee., and is utilized for shaping the desired behavior pattern and standard in the organization.

1.2 Definitions of Competency

There is no one universal definition of a competency, but several authors and researchers have come up with a couple of working definitions which we can understand as ‘competency’. Few of the widely accepted definitions are as following.

Dr. Rejoice Thomas, Asst. Professor, Christ University, Bangalore. E-mail: rejoice.thomas@christuniversity.in

“Competency is an underlying characteristic of an individual that is causally related to criterion – referenced effective and/or superior performance in a job or situation.” Spencer (1993)

“Any underlying characteristic required for performing a given task, activity or role successfully can be considered as a competency.” T. V. Rao (2003)

“The central idea is that competence is a broader concept than knowledge and skills (Rychen and Salganik, 2003). It includes cognitive skills, but also ethical, motivational, social and operational capabilities (Payne, 2004; Delamare Le Deist and Winterton, 2005), which manifest in actions, behaviors or outcomes that a person should demonstrate (Woodruffe, 1993; Mulder, 2001; Hayton and Kelly, 2006).”

Competencies are the characteristics of an individual employee. It may be in of any saturation of knowledge, attributes, skills, motive, value, self-concept or personality traits. The competencies are categorized into four main types; namely technical, behavioral, managerial and conceptual. There is no rigidity about categorization and a given competency may fall into one or more types.

II. COMPETENCIES POSSESSED BY FINANCE PROFESSIONALS

Finance is an integral part of every organization. The most common finance professions are accountant, corporate finance officer, financial advisors, investment finance officer, financial analyst, trader, chartered financial analyst, chief financial officer (CFO) and so on. For a CFO, apart from the fundamental competencies, a variety of finance focused competencies are required. These competencies are a must for every finance professional, though the degree of possession may vary as the designation.

2.1 Knowledge, Skills and Attributes of a Chief Financial Officer (CFO)

In the knowledge component of competencies, formal accounting qualification is required. In addition to that, financial and other mathematical skills are value adding, hence he/she must be having multi-disciplinary knowledge. Analytical abilities in terms of internal audit and understanding of GAAP (Generally Accepted Accounting Principles) is also needs to be acquired. In a democratic country like India, finance professional should be constantly and thoroughly aware about government policies.

To enhance and apply the knowledge in practical use, skills are essential. Skills can be categorized into two types; (1) Hard skills and (2) Soft skills. Hard skills are those skills which enhances the education, language and machine knowledge. For a finance professional, hard skills like documentation, business language proficiency, strategic design and planning, understanding of governance model are much needed. Soft skills can be classified in five parts, as following:

Personal skills: Integrity, pro-activeness, communication and presentation skills, business insight, good judgement power, effective business writing, professional demeanor, adaptability, detail orientation, supervision etc.

Interpersonal skills: Team work, conflict management, negotiating, and facilitation, cross functional perspective etc.

Professionalism skills: Unwavering professionalism, commercial acumen, capacity for innovation within the company, advisory, change management, collaborative, team-oriented approach etc.

Leadership and management skills: Problem solving, intellectual curiosity, steward, planning, coaching and mentoring, time management etc.

Organizational skills: Multitasking, change influencer, risk management, performance management, compliance, productivity, identifying and bridging the skill gap, conducting cash flow planning, anticipating and serving evolving needs, managing clients and so on.

Individual attributes are viewed mainly as acquired from one's accumulated life experiences and how they are to put in use for organizational success. Management experience with generalist approach is highly required in a finance professional. Having strategic mindset, evidence-based approach, strong work ethics, and broad business perspective (internal and external consulting, emerging management practices, and strategic alliances) is just as necessary. For a successful CFO; understanding business drivers and direction as well as an understanding of the need for client confidentiality - is one of the basic attributes. Along with that; knowledge of treasury management, portfolio optimization, capital allocation, market positioning and ability to give decisions in a politically charged atmosphere is equally needed. Strong management, new and innovative platforms, career progression and recognition are known as huge motivators for finance professionals.

III. REVIEW OF LITERATURE

McClelland, David (1973) "Behavioral traits and characteristics are more important than aptitude and intelligence in determining job success." The researcher proved that communication skills, personal goal setting, and intrapersonal skill such as - ego development and patience will be needed more than intelligence level to be successful in doing a job.

Boyatzis (1982) stated that there is a 'dynamic interaction' between the various components and levels of competencies within his given model of competencies. He offered a working model of effective enhancement of job performance which consists of three components, which are – (i) the individual's competencies, (ii) the job's demands, (iii) the organisational environment.

Shermon, Dr. Ganesh (2004) the researcher underlines the need to comprehend and shape the competencies for Organizational development and future. The various dimensions include business competency, people competency, and the link between them. Researcher concluded that performance, behavior, and capacity building are the foundations for any organizational achievement and growth. The job-role competency mapping can be used as a tool for building the same.

Das, Smitha (2007). The researcher gave importance to employee competency development as it's a process building trust among the employees. Once the employers understand the strength and weakness of the employee, they can be made to work to ensure organizational success. The employee can be trained to make them knowledgeable, competent and skilled. This builds trust among the employees and they show loyalty towards the employer.

Blustain, Buck, Carnaroli, Golding, McGurty, Suttentfield, and VanDerhoof (2013) of “National Association of College and University Business Officers” (NACUBO) identified six competencies that the higher education CFOs should master namely; communication, advisory, risk management, decision analysis support, institutional effectiveness, and sound management. They also identified three roles which the CFOs should possess. Those roles are of capacity builder, cultural traveler, and horizon thinker.

Ronald P. Conlin (2016) did a survey research with respect to leadership skill as one of the prerequisites to perform their job effectively varies by job function. Major three leadership attributes of a finance professionals were distinguished as- the ability to strategize, the ability to process huge measure of data and lastly, the ability to impart internal and external organization environment. The result of the study demonstrated that the most essential skills for a finance professional were listening, accuracy, critical thinking, active learning and professional writing. It was also found that the interpersonal leadership skillsets were far more important to those in sales function than for those in finance functions.

G. Unnikrishnan, R. Jose, A. Hose (2017) “Behavioral Finance: An Insight into Investor Psychology”. Behavioral finance tries to link the concepts of psychology to investment management in order to explain the various irrational behaviors that the investors showcase at certain stages. The researchers compared traditional finance with behavior finance and discovered that behavior of an investor is very much influenced by psychology and his/her attributes toward their work and method of their work.

Lawson, Raef and Larry R. (2018) Unlike other operative functions in the organization, accounts department has a lot to worry about the challenges they have to face as the rapid disruptive technological change and the consequences that follow. A typical line of thought is that by acquiring competencies in areas such as predictive analysis, the accountants can achieve the role of ‘business partners’ by helping management in approval and execution.

IV. RESEARCH DESIGN

4.1 Statement of The Problem

The main focus of this study is to identify the skillsets and competencies of finance professionals and bridge the gaps between general aptitude and skills in finance and accounting professionals. The study is intended to bring to light the key competencies and skill sets that are required for success in the aforesaid profession and form the basis for revision of curriculum at universities and colleges, and professional institutes.

4.2 Need and Significance of the Study

There appears to be a gap between the curriculum and skill sets imparted in the formal educational institutions and requirements of the industry. This has brought about an inquisitive circumstance of large number of graduates being unemployable, from one perspective, and deficiency of talented and part workforce required by the business, on the other. Studies like this can narrow down competencies which finance professional should acquire, explicitly. Behavior competencies need to be recognized and addressed for a harmonious workplace environment, and this study can enhance and also can help to train any underdeveloped skill / ability.

4.3 Objectives of the study

- To understand the competencies and skill sets of finance professionals.
- To map competencies existing in current scenario.

4.4 Data collection

This is an empirical research to understand various competencies and skill-sets possessed by finance and accounting professionals in general and CFOs in particular. The study has been done using primary and secondary data. Primary data was collected via semi-structured interviews with the Head of Finance department and/or Chief Financial Officers (CFOs). Secondary data was collected through various literature, research journals, academic and reference books.

4.5 Sample size

The study proposes to cover a sample of 30 CFOs from the city of Bengaluru.

4.6 Method

The methodology used for the qualitative data collection of the study is hermeneutic phenomenology. Phenomenology is an umbrella term for the qualitative research method that encompasses the philosophical perspective and a range of research approaches. Phenomenology aims at people's perception, their viewpoints, their arguments, value, belief, their philosophy- all through the instances of their life's experiences. The phenomenological approach involves the researcher directly to the interviewer and active observation from the researcher's end which makes the method more reliable. Interviews and observation method are the most used tools under phenomenology. Hermeneutic phenomenology aims towards people's lived experience and tries to derive a set of concepts or theory from it. It is the 'theory of expression' and one of the most used methods in social science qualitative researches.

V. FINDINGS

5.1 Analytical and Technical Skills

Being a leader at digital transformation is a must for CFO. Digital leadership is particularly important for CFOs who oversee the IT function, in which they miss out that digitalization shapes future growth. There are chances of complete elimination of manual work in the nearer future, so one must keep up with the technological changes. A balance between analytical, basic and technological skills is ideal to function.

5.2 Competitiveness

Competitiveness is an ability of a firm to offer products and services that meet the quality standards of the local and world markets at prices that are competitive and provide adequate returns on the resources employed or consumed in producing them. A CFO is advised to be aware of the business market in order to remain relevant in the external healthy competition.

5.3 Goal-Oriented Mindset

Goal orientation is the degree to which a person or organization focuses on tasks and the end results of those tasks. Goal-oriented mindset makes a CFO better at persuasion, and make him more focused. Goal orientation comes from efforts, attention to detail, and self-control.

5.4 Change Management

“Change is the only constant” By Heraclitus. All companies, big or small, at some point in their lives face periods in which significant change is necessary. Either due to shifting consumer preferences, or the entry of new competitors, or the impact of regulation, change is always required and often can be the defining moment in the lifecycle of a business. A CFO must always keep on changing himself, the team as well as the company's outlook for sustainability.

5.5 Inter-Departmental Relationship

Inter-departmental relationship refers to a company's efforts to manage relationships between employers and employees and in-between the employees. The finance department works very closely with sales department and operations departments and it is crucial to maintaining the relationship within. Maintaining inter-departmental relationship is not a goal to achieve, but a process to harbor.

5.6 Leadership

Aside from having the operational/ technical knowledge and business acumen, a CFOs always has to know how to use these attributes to lead change and influence people working with him/her. The CFOs should be curious and imaginative enough to find ways to challenge the status quo, if needed, to improve their financial processes and performance indicators.

5.7 Behavior Enhancement

In finance, the term ‘behavior enhancement’ is used to showcase a common emotional bias. It is referred to as the understanding of philosophy and psychology behind one’s actions revolving around cost. A CFO must be empathetic and with high emotional intelligence. Skills like negotiation skill, communication, team building etc. are based on how the CFO behaves in the company and how his/her image is to external stakeholders.

5.8 Formal Finance & Accounting (F&A) Education

Knowledge gained at college/university level will easily wear out, if not revised and put in use regularly. As one of the interviewees expressed, "the students get certificate first then they get skill", often the accounts and finance learning gets neglected because less manual work nowadays, but still one has to be through with basic fundamentals of the subject, go be successful CFO in future.

5.9 Controllership

Fundamentally, there is a difference between a CFO and a controller, where the role of the CFO is more encompassing as they are the ultimate drivers of numbers and their key role developing and implementing the strategy for the company to achieve its goals. An ideal CFO has to be skilled in both the duties for better forecasting and planning.

5.10 Risk Management

The role of the CFO has changed in recent years, and they have become essentially a partner to the CEO as their strategic responsibilities have increased. A CFO first needs to excel in assessing the risk and then the ways to manage and anticipate it. Role of CFO as managing enterprise risk and creating future value is always expanding and with the right blend of measured risks, the organization can reach places.

5.11 Collaborative

The combination of changing workforce demographics and a challenging business environment is making cross-functional collaboration more important than ever. Collaborations and partnerships between CFOs and Chief Executive Officers (CEO), Chief human Resource Officer (CHRO) and Chief Operations Officer (COO), Chief Innovation Officer (CIO, formerly known as Chief Information Officer) have been remarkably important in an organization, in recent times.

5.12 Communication

Leadership sets the tone in any business. The main pillar of an effective leadership is well-articulated, backed up communication of messages by the team leader. Communication skill doesn't only limit in verbal communication- it also focuses on non-verbal communication and other gestures and actions. Developing and managing soft skills is extremely required for a CFO.

5.13 Ethics

The job of the CFO is not contained in a 9-5 room. He must be willing to work long hours, with accuracy and detail-oriented results. A CFO should set the highest standards of ethical reporting and behaviour for others in the organization as well. Ethics leads to a healthy, secure, and safe work environment.

5.14 Business Acumen

The best business acumen learning initiatives will start the learning process with the creation of an overall business strategy, and present learners with information, models, frameworks, and tools of strategic thinking and planning to be able to effectively implement that strategy. A developed business acumen requires a finance professional to have executive level thinking and traits like decision making, perceptive nature, and flexibility.

5.15 Expectations Mismatch

Many a times, the wording of a job advertisements doesn't satisfactorily portray the requirements and intentions of the employers. In cases like this, especially in the field of finance competency and expectations mismatch take place more compared to other departments. Many graduates are unaware of their competencies, and end up in wrong position.

5.16 Industry Exposure

Industry exposure refers to various internships, part-time jobs, article ship. Through industry exposure the student can have a clear idea about how their work will be and more. Adding case studies and activities like role-play can help under-graduate students learn more about real issues, which are beyond textbook.

5.17 Planning

In today's time, the role of the CFO is under greater scrutiny; both internally and externally. CFOs face never ending pressure to cut costs, grow revenue, and ensure control. Planning is a practice all finance professionals should learn how to curate and execute.

5.18 Business Partner And Business Developer

The role of the CFO has widened over the last two decades. CFOs are accountable for the bottom line as well as helping shape corporate strategy. Beyond the core responsibilities of financial reporting, audit and compliance, planning, treasury, and capital structure, many CFOs are playing a stronger role in corporate portfolio management and capital allocation. In a way, they are the business developers.

5.19 Work-Life Blend

Chief financial officers spend two-thirds of their waking hours working and would prefer to be working only half the time, according to a survey by Duke University. The survey suggests finance chiefs work nearly 70 hours per week. At the same time, the CFOs say the ideal work-life balance would involve working closer to 50 hours per week. The dis-balance is even greater in the millennials. It's always better to look out for opportunities to have a blend of work life and personal life instead of just looking for work-life balance.

VI. CONCLUSION

The role of finance department has been continuing to extend beyond budgeting, reporting and controlling to more of strategic level. The evolution of finance has changed the approach from traditional to modern to latest technological mindset to cope up with potential risks. In the current scenario, CEO (Chief Executive Officers) and CFOs are shaking hands, instead of butting heads. Finance department in an organization, has emerged from transaction processing and book keeping role to a decisive role in risk management. Yet, talent management and the technical knowledge of staff is still generally viewed as one of the biggest shortcomings of the finance department. In a private company where finance is a vital part of the Human Resources Process (HRP) and forecasting; competencies like risk management, detailed knowledge of product and service line, and commercial environment awareness is highly important. The finance department acts as the backbone of the organization. For a successful and smooth functioning, one should always be concerned and aware about their employees in the department.

As per Accountemps survey conducted in 2013, the top three reasons for an employee failing to advance are poor interpersonal skills (30%), poor work ethic (25%) and not developing new skills (23%) (Neil Amato, 2013). A CFO's responsibilities don't limit to just knowing and leading the team, but it goes beyond to motivating them, giving them constant feedbacks, understanding-monitoring and regulating their emotions in such a way that they feel motivated and productive in the company. Once the CFO knows himself well and knows how to put in use his/her skills and abilities, he can regulate the team and that can eventually result in healthy workplace environment.

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