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CPA beats MBA

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Hot commodities

More accountants are beating MBAs to CFO positions

By Tavis Lam

With constantly evolving financial reporting standards and regulations, it's a high-wire act for a company to navigate through business without a CPA on the management team. Just a few years back, many senior finance executives were MBA holders, but recent statistics show that CPAs have beaten them as the leading candidates for chief financial officer positions.

According to an *A Plus* survey of the 39 listed blue-chip companies in Hong Kong (see figure 1), nearly 40 percent of the CFOs are CPAs, vastly outweighing the percentage of MBA and EMBA holders (21 percent) and those who have finance-related postgraduate qualifications (10 percent).

Research conducted by global headhunter Russell Reynolds shows a similar picture in Australia – 75 percent of the CFOs of the top 200 listed companies are either CPAs or chartered accountants, with only a minority having an MBA or another degree without an accounting accreditation.

The edge of CPAs

Andrea Williams, recruitment agency Ambition's director of banking and financial services, says an accounting qualification is back on the "to-do-list" for people with an eye on the CFO's seat.

She says an MBA qualification might be better regarded than an accountancy accreditation only when

the CFO role has a strong focus on corporate development and mergers and acquisitions. But with all the changes in corporate governance requirements, notably compliance with the Sarbanes-Oxley Act, an accounting qualification is what makes a CFO tick.

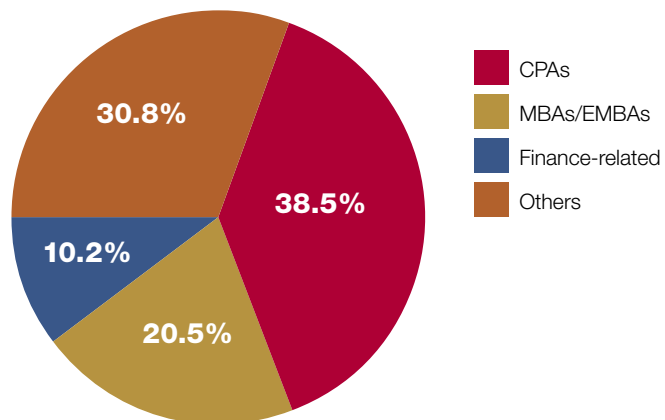
"With the increasing severity of corporate governance regulations that a CFO takes responsibility for, they now require formal accounting qualifications in order to ensure they understand the basic principles," Williams says.

The U.S. Securities Exchange Commission earlier filed a lawsuit against software company SmartForce PLC's

ex-CFO David Drummond and three other former executives in connection with their roles in overstating its revenue by US\$113.6 million and net income by US\$127 million between 1999 and mid-2002. The SEC settled the case in July by ordering the four former executives to pay a total of US\$2.3 million in disgorgement, interest and penalties.

The case highlighted the problem of having a non-CPA as the company's finance chief. A lawyer by training, Drummond, now Google's chief legal officer, settled the SEC charges without admitting or denying the allegations. But even his attorney noted that he

Figure 1: The educational background of the CFOs of Hong Kong-listed blue-chip companies



Source: *A Plus*

Figure 2: Salary trends for 2007

	Hong Kong		Singapore	
	Banking and financial services HK\$ millions	Commerce and industry HK\$ millions	Banking and financial services (Equivalent HK\$ millions)	Commerce and industry (Equivalent HK\$ millions)
Country CFO	1.2-1.5	1.0-1.5	1.03-1.29	0.77-1.03
Regional CFO	1.8-3.0	1.8-2.5	1.54-2.57	1.54-2.06
Group CFO	3.5+	3.0+	2.57+	2.06+

Notes:

1. Base salaries quoted above assume housing included.
2. Bonuses in 2006 for financial services: 60-100 percent of base salaries quoted.
3. Bonuses in 2006 for commerce and industry: 30-50 percent of base salaries quoted.
4. Long-term incentives plans typically apply to regional CFO roles and above.
5. Pension/retirement schemes for regional and group CFOs are 10-20 percent higher than those for country CFOs.

Source: Ambition Group

might have done a better job if he was trained as an accountant. “In retrospect, Mr. Drummond acknowledges that he would have been better served in his role at SmartForce had he possessed an accounting background,” the attorney Harvey Wolkoff said in a statement, according to a *Reuters* report.

Better business acumen

Nowadays CFOs are not only required to have solid training in accounting and financial principles, but also a sharp business mind, says Frederick Wong, CFO and company secretary of CIG Yangtze Ports PLC, which manages Wuhan International Terminal Port on the mainland.

A CFO is tasked with assessing the risk level behind all investment decisions and a background in accounting and finance is essential in helping him or her strike a balance between risks and returns. “If you have a lot of money, you have to do treasury management to ensure that you get a good return to the company. In the other extreme, if you’re short of money, you have to look after your financing even more, in terms of

raising or creating additional source of funding and monitoring and controlling the spending,” he says.

Wong says a successful CFO has to come to grips with business before they can become successful entrepreneurs and CEOs. “The contribution of a CFO goes beyond the bounds of a typical passive role of a number cruncher. He or she should wear his or her ‘business hat’ and think like a business person.”

China’s rapid economic development also means many mainland Chinese companies are seeking Hong Kong accountants to head up their chief finance positions. Gilbert Chan is one of them. With more than 20 years of experience in finance and accounting, Chan last year joined a Hong Kong-listed mainland semiconductor company as its assistant CFO. He says Hong Kong CPAs are highly valued for their expertise in international accounting standards because many of the mainland enterprises are still on a learning curve.

“You are more like the technical superman, you have to do everything,” he says. “They expect you to produce and provide solutions.” His company,

Advanced Semiconductor Manufacturing Corp., turned losses into profits last year, gaining a net profit of 3.9 million yuan, compared to a net loss of 75 million yuan in 2005.

Given the growing demand for senior finance executives with accounting accreditations, CFOs are handsomely rewarded for the jobs they do. According to the latest salary report from Ambition, CFOs in Hong Kong who are working in the banking and financial services sector receive a minimum pay of HK\$1.2 million per year. A regional CFO can summon an annual income of between HK\$1.8 million and HK\$3 million, while a group CFO can easily earn more than HK\$3.5 million a year (*see figure 2*).

For those who set their sight on rising to top management, a CPA qualification is the best way to go, according to Ambition. “If you are an accountant and want to pursue a career as a CFO, then choose the CPA over the MBA – you can always do the MBA later in life, but you must get a formal accounting qualification as soon as possible,” Williams says. **A+**