

# Accounting Professionals Development Report 2021

Executive Summary



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# Executive summary

The role of the Chief Financial Officer (CFO) has evolved overtime. Besides overseeing and directing all finance-related matters in an organisation, the main responsibilities of Mainland Chinese CFOs and their finance team are being transformed by economic development, cultural change and rapid technological advancement.

In mid-2021, CPA Australia and the Shanghai University of Finance and Economics conducted in-depth interviews with 12 CFOs in Mainland China. The interviews identified two main factors driving changes in the functional areas of Mainland Chinese CFOs and their finance team. They are changes in the external environment and changes within the organisation.

## The main drivers of change

Changes in the external environment include:

- **Innovation and technology adoption policies:** In response to the 14<sup>th</sup> Five-Year Plan's objective to strengthen scientific and technological innovation, many organisations have increased investment in innovation and technology adoption to transform their business model.  
The ability to accurately estimate the expected earnings and evaluate the intangible assets and intellectual property rights from innovation and technology projects is a new requirement for accounting and finance professionals.
- **Digital transformation:** As organisations digitally transform and gradually integrate technology such as artificial intelligence and blockchain into their business processes, the functional areas of the finance team will change. For example, technology can help process the function of the budget team, thus freeing up staff to conduct more value-added work.
- **Public health emergencies:** Public health emergencies such as the COVID-19 pandemic have reshaped the role of CFOs and their finance team. They will need to optimise their company's budget, continue to look for market opportunities and improve corporate transparency.
- **The rise of Generation Z and personalisation trends:** CFOs and their finance team will need to increase their awareness of the aspirations of the younger workforce, rethink how they manage the expectations of junior employees and how to better align business products and services with new customer preferences.

Internal organisational changes include:

- **Demand for digitalisation:** As more organisations digitally transform their finance department, finance staff would need a better understanding of information technology. For some organisations, this would mean dividing and reorganising the internal function of the finance team.
- **Business change:** With more organisations seeking to move up the value chain, the function of the finance team would become more diversified. They will need to have a deeper understanding of asset risks and profitability trends.

## Accounting and finance professional outlook

Traditional financial accounting, tax planning and other functions will be gradually replaced by automation. The finance team will become less involved in tasks that could be easily be streamlined or regulated. Instead, they will devote more time and resources to **strategic and business support, risk management and control**, and **value chain construction**.

## CFO outlook

- **A “data-driven mindset”:** Ninety per cent of business data is finance related. Financial data is used to drive business development and will play an increasingly important role in corporate decision-making. As a result, CFOs will need to have a "data-driven mindset".
- **Data analysis and modelling skills:** With more diversified and intricate data, CFOs will need to know how to identify the right data for analysis to help inform decision-making and judgement. This would require knowledge of developing a data architecture and using tools for data modelling.
- **Team empowerment:** CFOs will need to give space to employees to manage and continuously add value to their work. CFOs will also need to get along well with their staff and provide greater work incentives to increase productivity and encourage a better work environment.
- **Becoming a CFO with a non-finance background:** Gaining knowledge and experience in different industries mean that there is a growing trend of non-financial and non-accounting talent becoming CFOs.

## New CFO core competencies

Changes in the function of the CFO have also led to changes in their core competencies. The interviews identified the following competencies that CFOs should possess:

- **Solid professional knowledge:** CFOs will need to understand how each strategic decision and business process will affect the organisation's financial statements and cash flow. This requires professional knowledge in accounting as well as monetary economics, macroeconomics and microeconomics.
- **Strong understanding of business:** CFOs will need to gain a deeper understanding of business operations to accurately use and interpret financial data. Through cross-departmental communication, CFOs can build a stronger understanding of the business and identify areas for improvements.
- **Keeping abreast of market trends:** CFOs will need to actively keep abreast of market trends and adopt the concept of “lifetime learning”. They will also need to stay on top of policy trends and explore business opportunities.
- **Information processing skills:** CFOs will need to diversify their information processing skills.
- **Leadership:** CFOs will need to focus on developing their soft power, which requires continuous improvements in their leadership skills.
- **Talent development skills:** Human resource management skills and the ability to cultivate talent is an important competency of future CFOs.

## Conclusion

The role of accounting and finance professional has moved beyond bookkeeping to driving business success. CFOs are increasingly emphasising the need for "digital thinking" and the ability to analyse and model data. CFOs should focus on embracing change, enhancing their expertise, improving their understanding of the organisation and keeping up-to-date of latest trends.