

CAs – How Are They Perceived by Employers and Clients?

By Michel Zins, Ph.D.

As part of its work to develop a new strategic plan for the Canadian CA profession, the Council of Senior Executives' (CSE) Strategic Planning Task Force commissioned a thorough, independent assessment of the current state of the profession from the perspective of those who recruit, hire and engage CAs and those holding other designations.

Given the importance of competitive and market share issues among different accounting and financial designations, the Task Force believed this research was required in order to answer the following questions:

- What are the current needs and trends relating to financial expertise?
- How are CAs positioned in organizations' decision-making structures and finance/accounting departments?
- How are CAs perceived and what is their unique value?
- Who are CAs' strongest competitors? What positions do they hold and why?

Methodology

The research included in-depth, one-on-one interviews across Canada with 39 senior executives in public, private and non-profit organizations of a variety of sizes and types. It also included one-on-one interviews with six executive recruiters working in Calgary, Montreal and Toronto who specialize in finance and accounting-related positions.

As an independent consultant with expertise in strategic planning and branding, I was engaged by the Task Force to conduct these interviews. I randomly selected the executives to be interviewed from an extensive list of organizations of various types and sizes located in different parts of the country. Interviewees received a letter of introduction that explained the purpose of the research. All interviewees were assured that their responses would remain confidential.

The Need for Financial Expertise is Growing

The interview results indicate a growing demand for senior-level executive positions in accounting and finance and an overall rise in the demand for financial expertise. This increased demand was cited by organizations of all sizes, types and geographic locations.

Interviewees said the growing need for financial expertise is due, in large part, to regulatory changes and the renewed focus on accounting, auditing and corporate governance that have occurred in the wake of Enron and other corporate failures. In order to remain competitive, organizations are being required to provide information that is more timely, accurate and reliable. More resources have been allocated to comply with statutory requirements and governance changes.

As well, more people are being hired for value-added positions, such as strategic analysis and internal auditing. However, while the number of senior positions in internal auditing is growing, fewer people are interested in this specialized role. At the same time, scorekeeping, accounting and analytical positions are declining in number, due to the use of technology and outsourcing.

The interviewees indicated that today's corporations and boards require their Chief Executive Officers (CEOs) to be more conservative and cautious, and they anticipate that more CAs will occupy CEO positions in the future. The Chief Financial Officer (CFO) position has taken on more prominence, due to new regulatory requirements and an increased focus on the internal audit and assurance functions. Corporate boards are beefing up their financial competence, meaning that the vast majority of them are seeking one or more CAs to join their boards. CA board members are also desirable because of their ability to work closely with and mentor CFOs.

Another trend is the changing type of financial expertise required. Over the past decade, the type of financial expertise required by organizations has evolved from scorekeeping and accounting to providing business advice.

Interviewees said the skills required for higher-level finance and accounting positions include the right balance of financial and managerial aptitudes. They also cited the importance of leadership skills, the ability to listen, strategic thinking, project management, the ability to manage change, and interpersonal, negotiating, communications and presentation skills.

The growing demand for more sophisticated financial expertise has increased the cost of CAs and their services and has made it more difficult to recruit them.

CA – the Top Designation for the Top Positions

The research indicates that CAs dominate CFO, auditing and treasury positions, as well as auditing committees and boards. This is nearly always the case in companies that are publicly traded or highly visible and is becoming more common in private companies, especially larger ones. In fact, many interviewees said it would be embarrassing to have non-CAs in these positions. When the CFO is not a CA, close collaborators and those in senior positions reporting to the CFO are generally CAs.

CAs occupy an estimated 10 per cent of other top positions, such as Chair, CEO, Chief Operating Officer (COO) and President. This share of the market is growing, but slowly. As mentioned earlier, the presence of CAs on corporate boards is seen as a necessity in today's environment. The need to reassure and satisfy investors about an organization's financial health may also lead to the hiring of more CAs to CEO positions.

Some senior non-CFO positions in which credibility and assurance are key are held almost exclusively by CAs, including chief accountant, accounting policy, chief internal auditor/internal audit group, financial reporting and controller. Increasingly, CAs share a number of positions with tax lawyers, Masters of Business Administration (MBA) holders and Chartered Financial Analysts (CFAs), including investor relations, treasurer, vice-president (VP) finance, taxation, insurance and risk management.

While CAs are found in management reporting, cost groups, corporate resources and operational divisions, these roles are dominated by Certified Management Accountants (CMAs) and MBAs. Lower-level positions are populated by a wide range of designations, including CMAs, CFAs and Certified General Accountants (CGAs). At the entry level, non-designated candidates are often encouraged to obtain a CFA or CGA.

In the government and non-profit sectors, the higher-level positions belong to CAs, but at the lower and entry levels all designations are equal. Within smaller companies and for individuals, the market is very open and market confusion is increasing.

CAs Seen as Having Many Strengths – and Some Weaknesses

CAs are viewed as experts who are intelligent, skilled, hard working and quick to learn. They are seen as achievers who bring rigour and competence to their roles and act with integrity and objectivity. Interviewees also cited CAs' high-level of expertise in accounting and finance, their autonomy, assertiveness, independence and unique way of looking at problems.

The research also indicates that there is more consistency in the CA brand than in other designations or degrees. CA is seen as a reliable brand that stands for reliable people. Its holders are seen to have broader experience and deeper knowledge than any other designation. The CA designation is also synonymous with credibility and trust. That being said, there is a growing perception that very good CMAs and CGAs are also available.

The screening process to enter the CA program contributes to the recognition of the CA designation because it guarantees intelligence, a strong work ethic and an overachiever profile. Executives and recruiters also attribute the strong demand for CAs to the breadth, rigour and consistency of CAs' education and experience. The experience CA students receive is more valued when acquired in a major urban centre, with major clients, in a global environment.

Although softer skills are increasingly important at top levels, the designation is still the key, and the CA designation is of utmost importance when it comes to CFO and VP finance positions, as well as other assurance-related positions. CAs are considered by industry to be better equipped to handle complexity and changes occurring in the financial world. They also have significantly more experience in a regulated environment, which is obviously a top priority for public companies and other public entities at this time.

Since CAs are more competent in these key areas than other financial designations, they are more likely to be promoted. However, interviewees also cited some weaknesses affecting CAs in top jobs, including lack of flexibility, resistance to change, difficulty acting as facilitators and a tendency to identify problems instead of providing advice and solutions. While CAs are seen to be highly specialized, some interviewees identified weaknesses in the area of operational tasks.

CAs are also perceived as weaker in the corporate and management context when it comes to human resources management, leadership, negotiation and communications skills. As a result, they often wield less strategic or political influence and do not see the bigger picture of the business strategy and dynamic. While those interviewed said that some CAs are strong in these areas, this was attributed more to individual personality and career path than to designation.

CAs are seen to have increased their overall competence on the strategic side of organizations over the past ten years, though this is based more on experience than training. CAs are also sufficiently qualified and trained from the start to accumulate such meaningful experience.

Growing Competition and Eroding Global Market Share

My research indicates that, due to today's emphasis on credibility and the quality of corporate reporting, CAs are the first choice to fill the most senior financial positions and most recent recruits are CAs. This applies to the vast majority of CFOs and VPs finance recently recruited by large public and private corporations. A small proportion of these recent recruits is made up of MBAs. CAs hold about 80 per cent of very senior-level positions in finance, with MBAs and CMAs holding the remaining 20 per cent.

However, when it comes to filling such positions as controller, accounting manager, treasurer, etc., there is increasing flexibility on the client side, with a growing number of CMAs and CGAs being recruited (new positions are split roughly 50/50 between CAs and CMAs). While CAs were once controllers, they are increasingly moving to strategic analysis and decision-making positions, where there is the greatest increase in demand. CMAs and CGAs are increasingly occupying the controller positions, which require skills that are often of a more technical nature.

CA is still perceived as a premium brand, but some companies are willing to take an alternate – or less expensive – route and consider a CMA or CGA instead. Some interviewees also expressed concern that CAs recruited to lower or middle-level operational positions might become bored and leave after a few years.

In the investment world, people still prefer to deal with a CA, but CFAs and MBAs have made major inroads due to the perceived value of their business and finance skills. When compared to CFAs and MBAs, CAs are not seen as having as sound a business sense or being as strong in putting deals together.

CAs are also under pressure from the competition for lower-level financial jobs. Holders of Bachelor of Commerce degrees, engineers with industry experience, and MBAs are becoming strong competitors. In many cases, CMAs, MBAs and CGAs are now thought to have the same basic skills as CAs, although CAs' proven expertise still places them as the premium designation in the job market. The research also indicates that CAs tend to hire CAs, while CMAs tend to hire CMAs.

CMAs have substantially increased their market share and have positioned themselves well. They are perceived as a hybrid between a CA and a MBA because of their training, and their program is very well regarded, although the CMA designation is still considered much easier to earn than the CA designation. That being said, interviewees said that it is becoming more difficult to earn a CMA designation and they perceive that CMA training is improving.

CMAAs are increasingly competing for the same jobs as CAs (except within publicly traded companies) but, generally, employers prefer CMAAs in management reporting positions. Employers, even in small and medium-sized enterprises do not see CMAAs as genuine competition for CAs, saying they work in different positions with different responsibilities. Notwithstanding the aforementioned perceptions that CAs could have stronger strategic skills, they are still perceived as more strategic when compared to CMAAs, who are seen to be more involved in day-to-day operations.

CMAAs have found their niche in management and processes. They generally work at the operational level, in controller positions, in industry settings, in budgeting, and in administrative positions, though not exclusively in accounting and finance. CMAAs are easily integrated within tactical jobs, but are not usually found at higher-level, corporate finance positions.

In operational positions, CAs have failed to keep up with CMAAs. CMAAs are considered to be very good employees and are working their way up the ladder because of their branding effort, enhanced program and the quality of the people who earn the designation.

CGAs have a very unfocused image and are not considered for top jobs – or even mid-level positions – in larger corporations, although some have begun to move up. While they are generally perceived as operational people, most managers aren't really sure what the designation stands for or what a CGA can do. The designation is seen as easy to get and employers believe CGAs are not exposed or trained to professional standards. They also lack client experience. However, some companies, especially in the finance sector, encourage employees (mostly at junior levels) to get a CGA, which is easier for someone working to obtain.

The **MBA** degree has lost much of its value because of the inconsistency of its quality. About 6,000 MBAs are earned each year in Canada, of which about half are finance, accounting or other areas related to the CA market. MBAs are hired when it is important to get financing, when growth and business development is the objective, or when venture capital is involved. But when it comes to stabilizing and managing a company, CAs are preferred.

MBAs are seen to possess business sense, strategic analysis and leadership, broad knowledge and conceptual perspectives, business case orientation and experience, and research and analytical skills. They are perceived to be solution-oriented, instead of problem-oriented. When MBAs are recruited it is either because they have a specialty (tax, finance, capital market) or a special skill set (envisioning, case modeling, forecasting, creativity, thinking outside the box, making sense out of data, or presentation and communication skills). They are also sought for financial strategy and special project management.

MBAs are present on the management side of the financial department or function in management reporting, costing and budgeting and finance positions. They are found throughout organizations. The degree is useful for an entry-level position but the rest depends on the individual.

In industry settings, the engineer/MBA combination is frequently sought. This is often achieved by the engineer studying part-time to earn an MBA, Executive MBA or joint program, assisted by the company. In many situations, an MBA provides a person who already has good knowledge of a sector or a company with skills in organizational development, strategic thinking or the use of strategic information.

CFAs have made strong inroads into corporate finance and capital markets, generally as a secondary designation. There is a rising demand for CFAs in the financial sector, especially in investment banking. It is becoming a popular designation for students, who are increasingly competing with the MBA designation. Not only is a CFA seen as easy to earn, it brings valued knowledge and opens the door to lucrative jobs. Often encouraged by their employers, many students decide to pursue a CFA in the early stages of their careers.

Increasingly, CAs' competitors are moving away from the more mechanical/technical services and into strategic and specialized advisory and management services. They are upgrading their standards and recruiting university graduates. There is every reason to believe these trends will continue.

Conclusions

I have identified four fundamental conclusions that emerge from my interviews with recruiters and senior executives:

1. The demand for top-level financial competence is growing, due to new regulatory requirements, corporate governance changes and the increased demand for accurate, timely and reliable information for decision-making purposes;
2. CAs are ranked as top financial experts when it comes to understanding and managing increasingly complex accounting and financial matters. This is mainly due to their unique training, which imparts specialized competencies and highly valued professional qualities and attributes;
3. However, CAs are being challenged by growing competition, especially from CMAs, who have developed a market in which they are strongly positioned, i.e., management reporting, management and cost accounting, and processes;
4. For the lower and entry-level jobs, the trend is to consider all designations equally qualified.

As a result, CAs are losing their overall market share.

This trend may accelerate, due to the fact that all non-CA competitors, at middle and lower levels, are moving up the organizational ladder, acquiring valuable experience and becoming managers and leaders who will pose even greater competition to CAs in the future.

As well, other accounting designations, MBAs and CFAs have increased their output and represent a growing number of professionals holding positions in different organizations that could or should be held by CAs. However, due to a variety of factors, including the pending retirement of a large number of CAs, declining student numbers and the articling “bottleneck”, CAs are currently unable to increase their output. As well, as the interviews indicated, CAs are seen to be lacking in some of the soft skills required for senior financial or other senior executive roles.

For the time being, CAs continue to benefit from the recognition of their designation as the strongest brand and from their perceived value by dominating the upper and specialized financial executive positions in most large organizations. While I believe that this positioning should be defended and enhanced, I have recommended that it be leveraged to place CAs in a broader spectrum of management positions. This requires an increased output of CAs and the broadening of their skill set in management, in order to occupy more of the available managerial, non-audit, financial positions at the entry and middle levels.

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