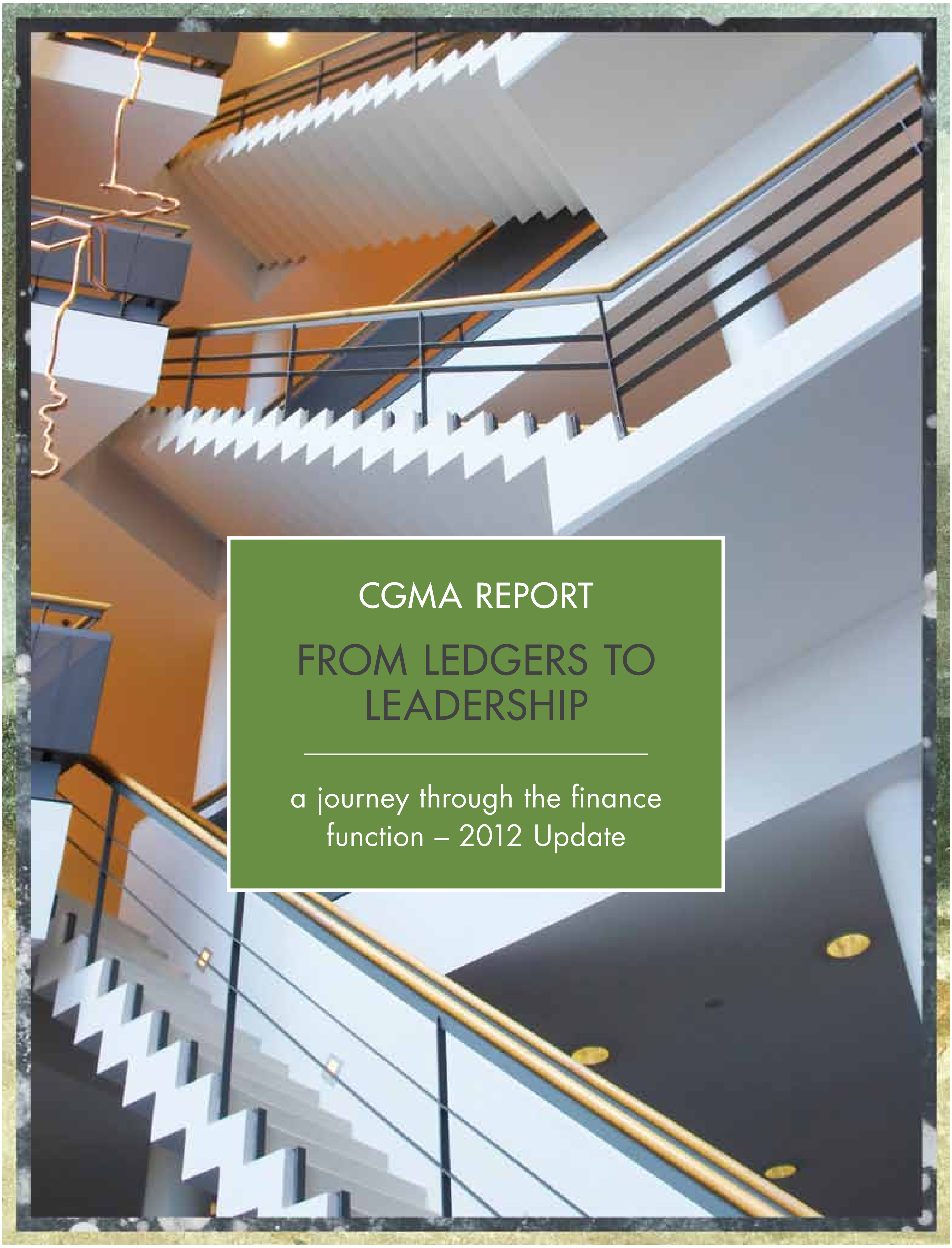

CGMA REPORT

FROM LEDGERS TO LEADERSHIP

a journey through the finance function – 2012 Update

CGMA
Chartered Global Management Accountant

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CONTENTS

Two of the world's most prestigious accounting bodies, AICPA and CIMA, have formed a joint venture to establish the Chartered Global Management Accountant (CGMA) designation to elevate the profession of management accounting. The designation recognises the most talented and committed management accountants with the discipline and skill to drive strong business performance.

EXECUTIVE SUMMARY

The role of the finance function is expanding from ledgers to leadership. The finance function retains its traditional responsibilities and is taking on new ones. Employers require management accountants who can do much more than produce accurate financial accounts. These remain important and must be produced ever more efficiently. Finance is also expected to provide management information, analysis and insight to inform decision making and to help to improve the organisation's performance. A combination of technical and commercial skills is needed to fill the portfolio of roles in a progressive finance function.

Chartered Global Management Accountants, possessing both technical accounting skills and commercial finance skills would be well positioned to fill these roles.

CIMA works closely with major employers and academics in order to maintain a keen understanding of employers' needs of their finance professionals and how the role of the finance function is changing. We apply this understanding to continually develop our syllabus and help our members to future-proof their careers by meeting employers' needs.

We know that many leading organisations have already transformed their finance functions. They have increased the efficiency of their accounting operations by forming shared service centres to achieve economies of scale. Systems have been standardised and processes streamlined. They have also improved the finance function's effectiveness in supporting value creation across the business. They have taken advantage of developments in information technology to generate better management information. Furthermore, they have developed management accountants with commercial skills and deployed them as business partners. This new role is about applying professional objectivity to help improve decision making and performance management in the long term interests of stakeholders.

Many credible commentators including major consultancies and software vendors share CIMA's view of how the role of the finance function is changing. Their view is based on their clients' experience but these are major organisations too. Some commentators even seem to suggest that the finance function is changing radically, abandoning traditional accounting roles and becoming more integrated with the business as a commercial advisor.

We need an independent, objective and broader view. How far have finance functions in general progressed from ledgers to leadership? What are the implications for the competencies required? What does this mean for the training, development or the recruitment and retention of finance professionals?

The CIMA Centre of Excellence at the University of Bath School of Management was formed to conduct independent academic research into best practice in the development of finance personnel in the context of finance transformation.

The first two cycles of this long-term research project have taken the form of two online surveys in 2009 and 2010. These were completed by 4,000 and 3,000 respondents, from a wide range of organisations across the world. The respondents were mainly finance professionals but some non finance senior management were surveyed too.

Analysis of the data gathered by the CIMA Centre of Excellence in these global surveys of a wider population found that evidence of radical change was not apparent either in structural terms (with a substantial majority still being located within the finance function and with the bulk of time being spent in a physically distinct finance/ accounting department) or in terms of the allocation of work-time: traditional activities such as the preparation and interpretation of management accounting information still dominate and business partnering is reported as a rare or specialist activity akin to internal audit or tax.

Nevertheless, the results of the empirical investigations in the second cycle of this research indicate that many finance professionals are highly business oriented, for example:

- Even amongst those in the finance function, the majority see their duties as involving the support of operating units or as being related to other functions or units.
- Many spend appreciable amounts of their time in providing business advice or engaged in strategic financial planning or management accounting.
- Ratings of skill importance reveal the relative superiority of non-technical skills connected with interaction and the achievement of business objectives.

The report shows that finance professionals require a mix of skills and competencies and while technical skills are a critical requirement at the recruitment stage for organisations, there is evidence of a need for business and commercial acumen to be developed for many senior finance roles.

The apparent need for the more business-centric skills has not led organisations to look to recruit business people and train them to take on finance roles. It seems that the worldwide preference is for professionally qualified financial professionals first and foremost.

When it comes to the recruitment of future finance leaders and the choice between two similar candidates the report makes clear that personal characteristics are actually the key distinguishing criterion. We see that technical skills are still critical, next in importance are professional finance qualifications and these rank above work experience.

These skills are of course not just recruited into an organisation. Both business and technical competency can be developed via training in post. While 'learning through doing' is viewed as being the most useful development and training activity, in practice this seems to be seldom used in a structured manner. The data suggests that this form of training is used much less often than its usefulness would merit.

Cost and the need for time off away from the day job clearly put many organisations off investing in training and development, in particular external training. Often the less valuable but cheaper and quicker training tools or activities may be used. These may be false economies when considered over a longer term.

We also see less enthusiasm among senior finance personnel for external education, including training for professional qualifications, than one might expect given the ongoing importance of technical competency. However, we see a large proportion of organisations buying these professional qualifications and skills at recruitment, rather than developing them in-house.

There seems to be a disparity between what support senior respondents say their organisations provide in terms of time off and financial support, such as course fees, and what non-senior finance respondents actually experience. Organisations may need to ensure that learning and development programmes and training opportunities are communicated throughout the organisation. Often it seems finance staff are simply unaware of their employer's training offerings. It is very notable, however, that organisations with a higher degree of business partnering deliver more training and development support. Companies wanting to transform their finance function and develop personnel for business partnering roles need to evaluate the training and development policies and offerings carefully.

Individuals also need to take responsibility for their learning and development. Informal consultations about the academic research suggest that a minority of finance professionals have good intentions where training and development is concerned but do not follow through. They cite lack of time, pressure of existing workload, encroachment into personal time or simply lack of will as restraining factors. These accountants could find their skills out dated as the role of finance changes. Continuing professional development is not just a responsibility; it is necessary to enhance and future-proof career prospects.

Finally, we see that financially qualified personnel do not leave their organisations because they feel there is a lack of training and development opportunities. They are lured away by higher salaries and promotions suggesting employers need to address the impression that the prospects for personal advancement are better elsewhere by valuing key personnel and providing career paths.

INTRODUCTION

CIMA has been actively engaged in researching the nature of the finance function in today's organisation, the path it has taken over a decade of change – and its likely future trajectory. This research into finance transformation allows for the better understanding of the changing development needs of the Chartered Global Management Accountant.

The role of finance in today's organisations requires a dual approach with finance devoting focus on getting cost and process efficiencies while also becoming more effective in how it supports decision making and performance management. The finance function is evolving and collaborating more with other parts of the organisation to create further value.

We see that finance functions require a portfolio of roles and finance professionals with a diverse range of competencies and skills. Both business-oriented and technical competency are indeed seen as being crucial to the business partnering role for the finance professional – but their importance is not restricted to this role alone. Instead, we see that business competency is increasingly perceived as important across finance roles.

Research findings highlight that the key changes needed are those that really create value via improving internal processes and focusing finance on the products and services the organisation provides. The research also reveals that senior management expect to see an increase in focus and finance resources being directed to these management support activities. At times this may be at the expense of effort directed to operational and transactional areas of finance.

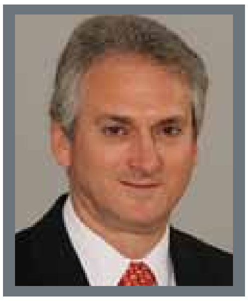
To this end, this update report looks primarily at the trends and recommendations in this area of focus, and includes insights from AICPA members.

These trends raise many questions for the effective structuring of the finance organisation going forward – specifically in the areas of recruitment, development and retention, for example:

- What exactly is meant by 'business competency'?
- Does its importance outweigh that of technical competency?
- What is the optimum balance between technical and business competency?
- How can this balance be established in an organisation's finance function?
- How can an individual finance professional achieve the right levels of competency and maintain them throughout his or her career?
- How can organisations plan for the development of their finance staff to really add value to the organisation?
- What are the optimum ways in which organisations recruit and develop talent?
- What are the actions to consider for organisations and the Chartered Global Management Accountant?

CIMA and the AICPA will be continuing to research trends in the changing finance function to support the Chartered Global Management Accountant.

TALKING HEAD
DAN CRUMB, CFO, KANSAS CITY CHIEFS



Dan Crumb was named Chief Financial Officer of the Kansas City Chiefs in September 2010. Prior to joining the Chiefs, Crumb worked for the New Orleans Hornets of the NBA as the team's Senior Vice President and Chief Financial Officer. Before that, Crumb served as the CFO of Abita Springs Water Company Inc, having begun his professional career at KPMG.

"I think the last few years have certainly seen finance's role change. Earlier on in my career, 25 years ago, the finance organisation was viewed as more of an accounting department; you processed the numbers, you did the financial statements, you put out the financials on a monthly basis.

And then it evolved to where the CFO of the organisation is really a trusted advisor to the president. You see the ownership leveraging that finance person and the finance department's knowledge and their expertise in making decisions. So, now it is not just giving financial statements, it is 'what do you think about this business opportunity?'

And it is fair to say we have a unique ability, thanks to our training and experience, to decipher what the numbers are telling us and to be able to partner up with the different departments, and advise them and pass on knowledge. Hopefully we can also increase their financial literacy along the way.

"We want our (finance) people to act like the business owner, who understand the numbers but who also know what it takes to grow and manage a business."

But even though finance's role is being transformed in some ways, we have to maintain our objectivity and independence. And in my view, it really boils down to your internal control environment. For instance, in our organisation, we have an audit committee, external auditors, we have league auditors. As a result, we have a lot of layers of accountability that strengthen our internal control environment.

It is also about the tone at the top, from our ownership down, the commitment to control and making sure that everything is correct and that everybody is accountable. From the financial statements, the analysis, the reporting; everything is properly and fairly stated, according to generally accepted accounting principles.

There is always going to have to be that one department or person that plays devil's advocate. For me, that has to be finance and the CFO. They are going to have to continue to be the objective, independent enforcer of the rules, making sure the business is looking at everything in the proper context, applying the right principles and sound business judgment. I think we will continue to see finance maintain that role of gatekeeper and enforcer.

Of course in order to make sure you are following these guidelines, you need the best people. To find them, we have to maintain a good connection to the universities and professional education sector to ensure the curriculum and syllabus development supports that. This is important because as this function evolves the requirements are going to be about more than just core financial competency. People working in it are going to need to be more literate in management areas and marketing and in business operations, for instance.

We want our people to act like the business owner, who understands the numbers but who also know what it takes to grow and manage a business. The more we are able, as finance professionals, to give that advice and to look at things in that context, the more value we are going to add to our organisation.

Finance is truly going to be able to help an organisation grow, get financially stronger, maximise value and maximise profits.

So, we really impress upon the finance staff to think like the owner, think strategically, and cover all the bases. Make sure when they make a recommendation on an opportunity they have looked at everything, they have applied the proper analysis.

"As CFO I always tell my finance staff that we can't just think about what is good today and what works right now. It has to be about what is going to be good in the long-term."

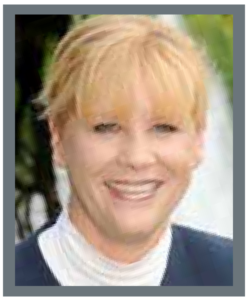
How do we support this? We constantly train our people, to make sure they are up to date in their skill sets and we support continuing professional education. All those things are there to keep us sharp. And we also benchmark against our competitors and other organisations, in and outside our sector.

Our way of developing people into that sort of role involves the finance department going out and interacting with other parts of the business. So in our business, I would have our finance people interact with, say, our stadium operations crew and have them do part of the stadium operations for a day or a game. It can involve working in the ticket office for a game. And we do that so that they see what it is like, to understand what it takes to operate our business. In that way they are not just seeing the numbers; they also know what activities create the numbers.

In addition to that, we demand that they look ahead and think strategically. As CFO I always tell my finance staff that we can't just think about what is good today and what works right now. It has to be about what is going to be good long term. So when we make a decision, or advise a course of action on a certain opportunity, we can't just think about the short-term implication.

As part of that process, we want to make sure that we look at everything. And that's where the finance skill set, I believe, comes in. It provides a true value add because we know that a business must look at the details and drill down; you have to look at the one, three, five, ten year out scenario to see what the implication of that decision is."

TALKING HEAD
VALERIE RAINEY, CFO, INTTRA



Prior to joining INTTRA, Valerie was Director of Finance at Pitney Bowes in their International Mail Services division, where she reorganised the finance team and drove financial focus and accountability throughout the organisation. Before that, she held roles at the AICPA and Ernst and Young.

"Over the course of my career, I have certainly seen finance become more strategic. And as part of that trend, I think it's been important to battle the perception of finance as being 'overhead' and not a strategic function.

Now, the emphasis is on looking more to the future and playing a strategic role through the use of futuristic projections. That of course includes providing financial data to support the business owners to make good decisions.

And that trend has, in my view, largely been driven by the desire of individuals coming into the profession to do more beyond traditional finance roles. I also think, at least here in the US, that we have had to work to raise the awareness of what the finance function could be. That has meant working both with accountants to develop their skills, but also with business leaders to underline the value that the accounting profession creates.

At INTTRA, we in finance support the business units. In return, those units know that they are expected to work with us. And if you can align finance around certain business units and make it crystal clear where you want to support them, you can really start to give good financial insight to the leaders in those business units.

And our approach to developing a business partnering strategy is simple. Just this year, we started to create financials for our different business and product lines, and we set up monthly meetings with the business owners to go through and analyse their financials in a digestible way. It was very enlightening to the business teams because they had never seen the data presented that way.

And that allowed them to get a true picture of the profitability of their product: They were able to see what they were spending on R&D, what the maintenance costs were, what it cost to go out to the market and drive adoption, for instance. As a result it really got people very 'laser-focused' on improving performance. And as a result of that, we saw products that weren't profitable becoming profitable, and profitable ones becoming more so.

"The emphasis is on looking more to the future and playing a strategic role through the use of futuristic projections."

Thankfully, the leaders of the business units are receptive to our approach. In fact, I believe this is what they want from finance: they want to understand their profitability and the factors that drive performance. And of course, nobody wants to have the least profitable product, so it's actually very healthy, in that it creates a little bit of competition.

And finance can only do that if it's independent. And it is important to say that the CFO is the guiding light on the issue of independence. It is an absolutely central part of my job. So for example, when we started to report directly on lines of business and sales costs and so on, people started to lobby my vote to allocate costs differently to this or that line of business to make their own look more profitable.

That is exactly what you have to guard against: you need an independent objective voice to say; 'No, this is the way the costs should be allocated and here's why'.

If the CFO fails to do that, there is a danger they can become a pawn in the game. So you need a strong leader at the top of finance to stop that happening.

Of course you need the right people to support this vision of a 'value-added finance function', so we look for strong accountants first and foremost. Once we have found them, we then look to develop them and broaden their skills base.

And there is another element of this that needs to be recognised: Within every profession, not just accounting, you are going to have certain people that are going to be your strong technical people and they're going to rise to a particular level and not move beyond that.

And then there are those that rise to the top because they are able to do both parts – demonstrate sound technical skills as well as having the interpersonal and management skills.

"You need the right people to support the vision of a 'value-added finance function', so we look for strong accountants first and foremost. Once we have found them we then look to develop them and broaden their skills base."

As CFO, I spend a lot of time on developing my people and equipping them with a range of skills because I think it is important. I also do it because it's what I did in my own career. I didn't take the traditional route to CFO. In fact I spent half of my career running business units marketing, operations and so on.

And I honestly believe that because I walked in the business owners' shoes, I remember what I wanted from my CFO at the time, and as a result it helped me understand where both sides are coming from."

1. A DECADE OF CHANGE – THE EVOLUTION TO VALUE CREATION

CIMA research has focused on identifying the types of change that have taken place within the finance function over the last decade and on understanding expectations for future change. This work allows us to better gauge the impact on the skills and development requirements for the finance organisation and the Chartered Global Management Accountant as it works to better support organisational strategy.

The survey found that the main types of finance function change were as follows:

- cost reduction
- re-engineering of business processes (BPR) either by using shared service centres (SSCs) or outsourcing
- an increased focus on the organisation's products and services
- an increased focus on internal processes in the organisation as a whole.

These types of change have been classified on a matrix (Table 1.1) to illustrate the focus and motivation for these changes based on:

- focus – towards the internal or external environment
- motivation for change:
  - cost efficiency: the desire to make efficient use of organisational resources
  - 'value creation': the desire to perform tasks and roles better and in different ways so that the organisation can increase scope for profitability and thereby create value.

TABLE 1.1: Types of finance function change

<table>
<tr><td colspan="2"></td><td colspan="2">Motive for change</td></tr>
<tr><td colspan="2"></td><td>COST EFFICIENCY</td><td>VALUE CREATION</td></tr>
<tr><td rowspan="2">Orientation for change</td><td>Internal</td><td>COST REDUCTION
• Reduction in headcount
• Greater emphasis on cost reduction</td><td>INTERNAL PROCESSES
• Closer collaboration
• Increased emphasis on developing future business leaders
• Greater emphasis on exposing poor performance
• Increased external benchmarking</td></tr>
<tr><td>External</td><td>BPR
Increased use of:
• outsourcing
• SSCs (shared service centres) for routine or non-routine tasks.</td><td>PRODUCT/SERVICE FOCUS
Increased work on product /service:
• pricing
• development or
• differentiation.</td></tr>
</table>

Impact of finance function changes

The key to understanding the orientation and motive for change in the finance organisation is to look at those changes that have the biggest impact.

Here it is very striking that cost efficiency changes, rather than value creation changes, have generally had the greatest impact on finance in the last decade (see Figure 1.1). Our consultations point to a concerted focus on driving down costs and gaining process efficiencies as a key remit. Many organisations also working actively to reduce the actual cost of finance itself, as a percentage of revenue, to align with industry benchmarks.

The research shows some differences relating to the type of organisation. Finance functions in small to medium-size enterprises (SMEs) and public sector bodies reported 'greatest impact' changes in line with the population as a whole, but larger companies reported use of shared service centres for routine tasks as having had the greatest impact more often than reduction in headcount, with outsourcing of routine tasks next.

These Business Process Reengineering type cost efficiency changes can come as a package and are more likely to have greater impact in bigger organisations. This is because larger organisations can benefit from economies of scale and achieve transformational change.

This occurs when process changes are implemented together with a shift in the focus of the finance function away from traditional financial accounting roles towards more business-facing roles.

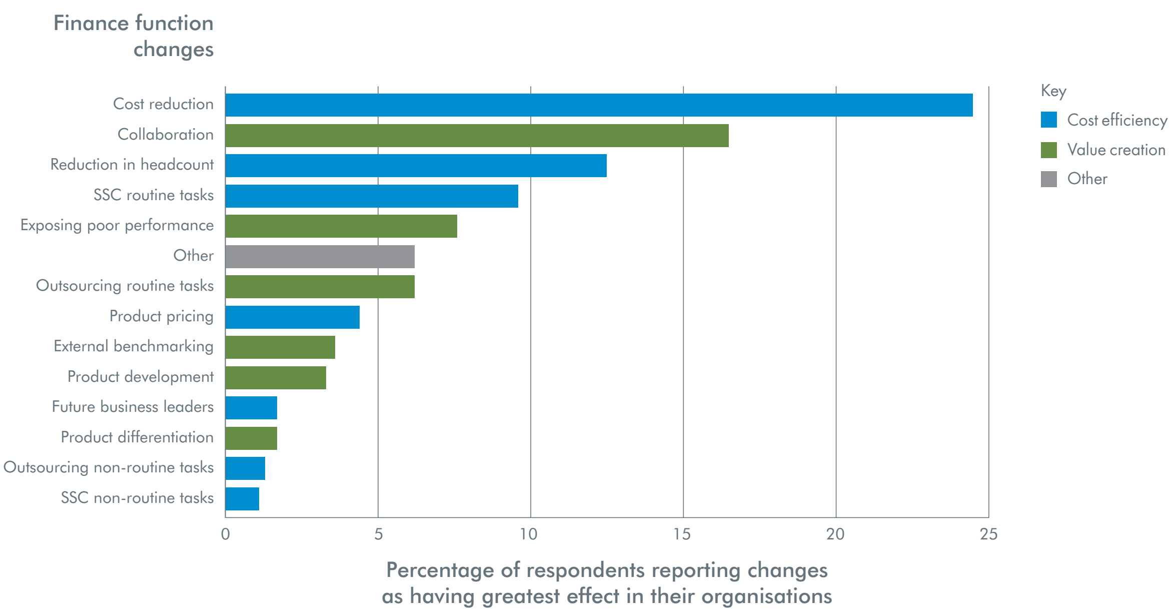
Nevertheless across all types of organisation, the fact that finance change to date has been driven so much by cost issues may highlight a call to action. It perhaps highlights a mismatch between the organisation's vision for change (to be a driver of cost efficiency) and the vision of the transforming finance function itself as being a 'value-creator'.

Dual focus - the shift to value creation

However, during our consultations, it was also evident that both finance and management now perceive a higher value from finance when it works to better understand profitability and support decision making for growth strategies and plans. The rationale from our consultations highlight that finance can no longer be solely perceived as an overhead, but that in fact it has a key role to play in driving growth and fulfilling strategy.

This means of course that there is substantial scope for many organisations to pursue further changes in their finance function that support this type of value creation.

FIGURE 1.1: Greatest impact finance function changes



The future: what further changes are needed?

To fully understand the requirements and demands from business that will impact finance we have worked to identify what further changes are needed in finance to maximise its contribution to the organisation's goals.

What changes are required next to improve the finance function's contribution? Will the focus be on reducing its own costs or on increasing the value it contributes by collaborating with the business?

As can be seen from Table 1.2, the answers are clear:

- Nearly two-thirds of respondents to CIMA's global survey feel further changes are needed in their organisations.
- Those in larger organisations feel the need for change more strongly:
  - over 70% of those in organisations with more than 250 employees reported this
  - and those in small to medium size enterprises (SMEs) with up to 100 employees feel it least strongly (just under 52%).

The future priorities for many, the five most popular changes, are not all cost efficiency changes but instead have value creation as their focus (Table 1.2).

Perhaps we can be encouraged that, after a decade of change in the finance function, and even given the current economic downturn, respondents see the value and are still keen to pursue moving finance to focus more on working directly with the business and on driving growth and profitability.

TABLE 1.2: The future: The next changes that we need in the finance function...

Top	Change required to improve finance function contribution
1.	Increase cross-functional collaboration and business partnering
2.	Greater emphasis on systems (IT, accounting and finance)
3.	Emphasis on efficiency
4.	Improve staff quality, training and development
5.	Produce better information to support more strategic business decisions
Bottom	Change required to improve finance function contribution
18.	Emphasis on exposing poor performance/supporting better performance
19.	Reduction in staff
20.	Regulatory issues and de-regulation
21.	Emphasis on management accounting as opposed to financial accounting
22.	Finance leadership (producing future business leaders)
23.	'Insourcing'

Of course, reducing processing costs creates value. Here, we choose to classify the finance function's initiatives to improve its efficiency as being internal cost-based initiatives rather than externally focused value creation.

What we can expect to see is the Chartered Global Management Accountant, and finance generally, acting in a more collaborative role and as a business partner. They will help the organisation to deal with the challenges faced by both improving internal accounting processes and focusing on the profitability of products and services.

Transformation – impact on the structure of finance

The CIMA research moved to analyse the impact of the dual focus of efficiencies and value creation on the levels of finance resource and their location.

Impact on finance resource

We have looked at the expectation of finance professionals with regards to changes in the level finance resource, number of full time employees (FTEs), going forward.

On average, as shown in Figure 1.2, the high level picture seems to indicate an expectation of growth, with increasing resource for finance across all types of organisations.

In SMEs growth is expected in all service areas, as these respondents envisage overall net growth in finance staff numbers. However, it is notable that the greatest growth required is in the management support and management accounting areas.

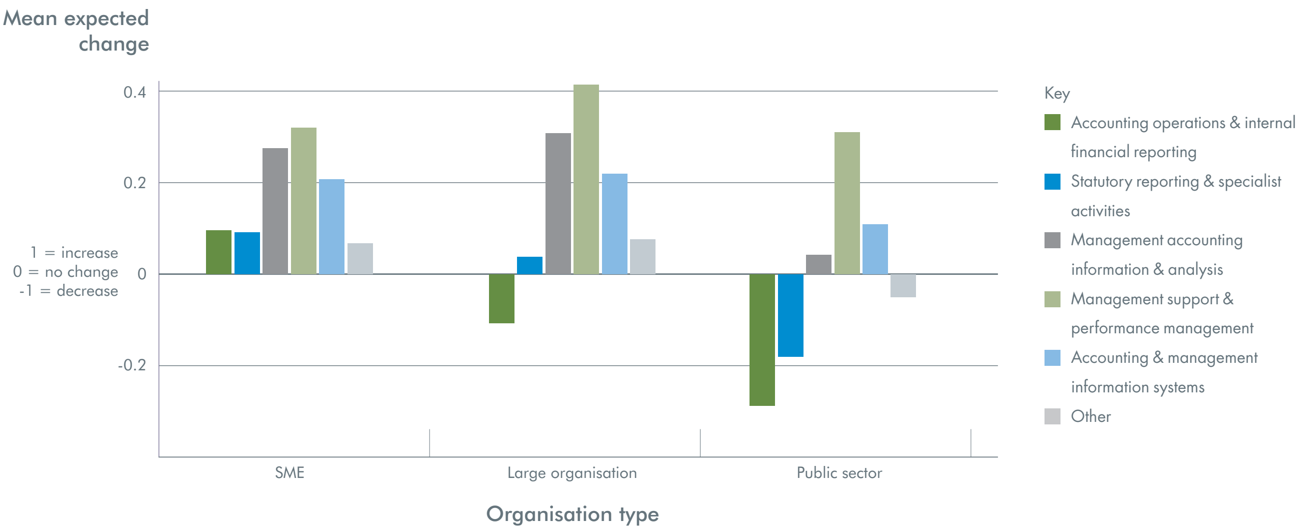
Similarly, larger organisations, and the public sector to some degree, on average see these as the key areas in which growth of effort is needed. But in these cases, at the expense of other areas, both see a need to reduce effort (have less finance staff) on accounting operations.

In the private sector, management accounting is seen as almost a concomitant of management support but less so in the public sector. The public sector sees a need to reduce effort dedicated to statutory reporting, perhaps signalling that too much effort is currently devoted to meeting regulatory reporting requirements at the expense of support for operational effectiveness.

Impact on finance structure and location

Smaller organisations are likely to have less flexibility in how they configure their finance function, therefore attention is focused on larger organisations, ie those which are not SMEs.

FIGURE 1.2: Expected change in finance staff – by service type and organisation

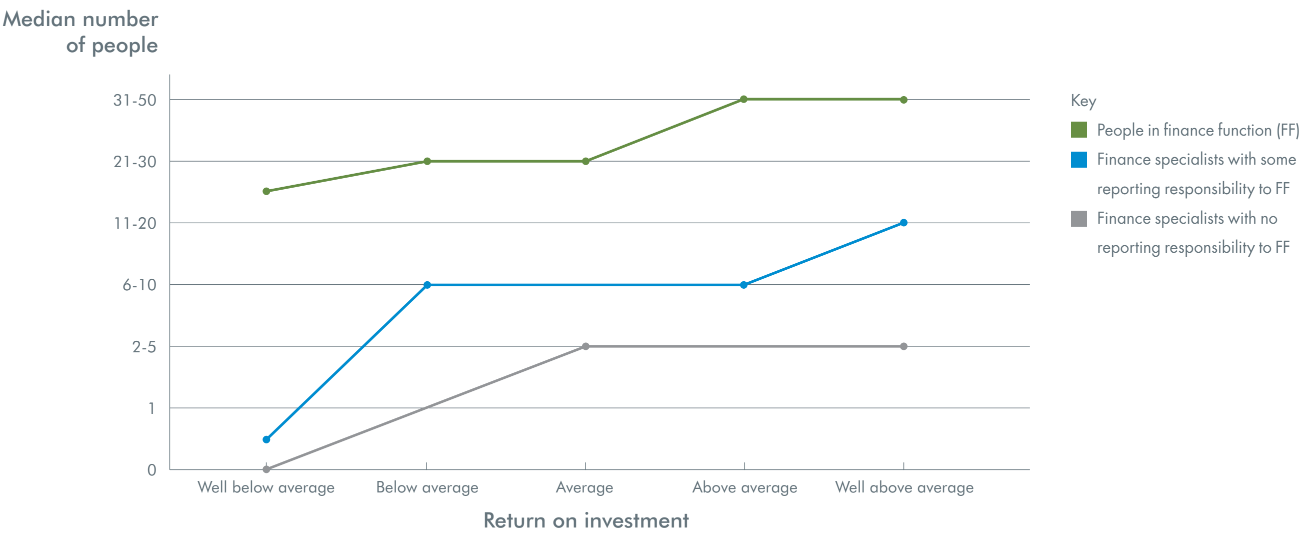


Among such organisations the research finds that for some performance measures, such as return on investment (ROI) and profit margin, increasing levels of performance are associated with larger finance functions and also with more integration of finance professionals with the rest of the business. These professionals out in the business are categorised in two groups – the first where the professionals have some reporting link back to finance, and the second where they are fully integrated without any reporting line into finance, as Figure 1.3 illustrates. For larger organisations we also see that they devote somewhat more effort to management support activities.

Figure 1.3 highlights this trend and shows some correlation in that better performing large firms, in terms of ROI, tend to have more finance professionals fully or partially integrated and collaborating with the organisation.

So there seems to be some tendency, albeit limited, for higher performers to have a greater proportion of their FTEs in management support. This will have an impact on the skills and competency needs of the Chartered Global Management Accountant – impacts that will be discussed in later sections.

FIGURE 1.3: Configuration of finance professionals and return on investment (large firms)



Career progression – changes to the distribution of work across service areas

To gain a perspective on potential changes to work, and thus competency demands, survey respondents in our research were asked about what the mix of their work should be in order to progress within their organisation (see Figure 1.4).

Here again we see that perceptions from finance professionals reinforce the previous trends with increasing focus on the duties to support management and performance.

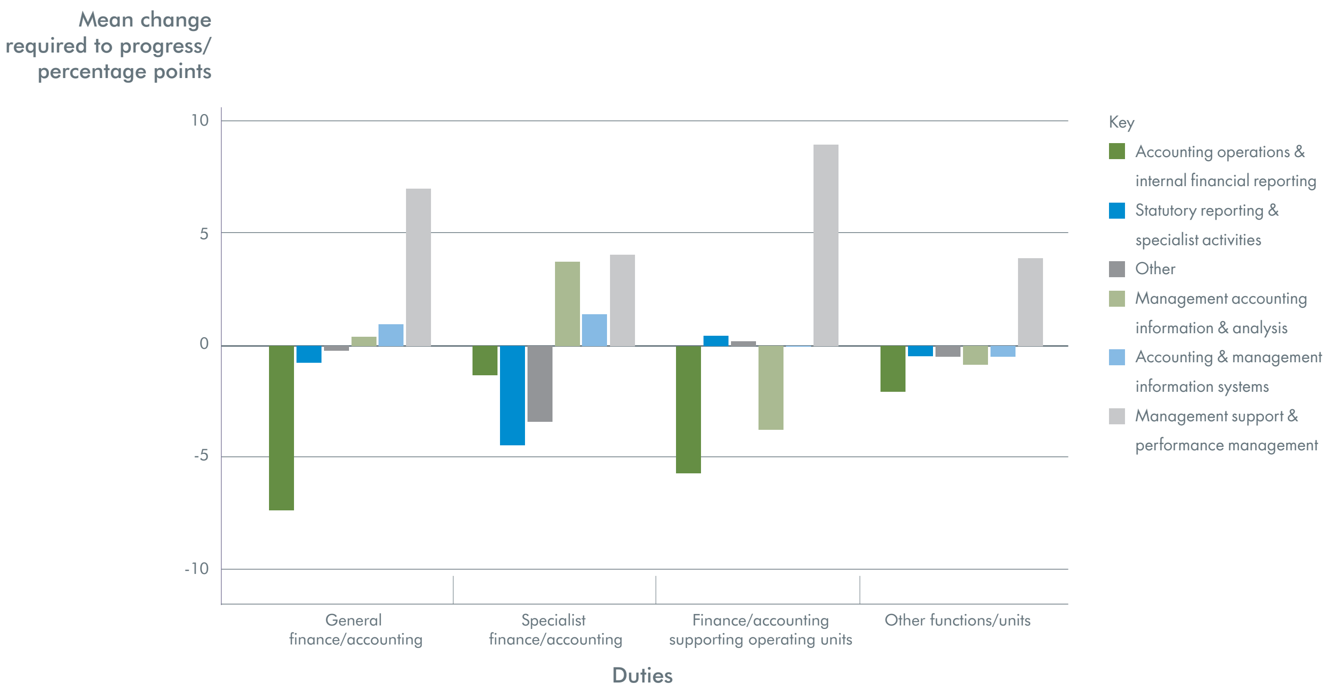
The responses point to a strong element of management support as the key change for progression being recognised across all the groups. This emphasises that, again, the perceived shift towards management support is principally at the expense of time or effort on accounting operations activities.

It is also notable that those in specialist roles (tax, treasury etc) perceive the need to reduce the time spent on statutory reporting and specialist activities in favour of greater exposure to management accounting activities. It is in these areas where the value is perceived.

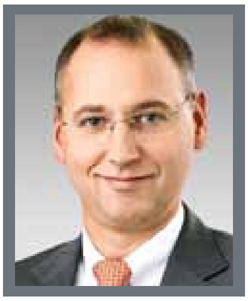
In summary, the finance organisation continues to provide a full mix of services and we see its professionals undertaking a range of roles and activities providing cost and process efficiencies while also driving profitability and supporting management in decision support – working more collaboratively with the organisation.

However, we see the changes for finance driving focus and effort on the business-facing duties via management support and the creation of further value, often at the expense of the more transaction finance operations areas. These trends impact finance professionals and the CGMA in the activities they must undertake going forward. It will also require a review in the approach to training and development to remain fit for purpose and for career advancement.

FIGURE 1.4: Change in work mix required to progress by duties group



TALKING HEAD
WERNER BAUMANN, CFO, BAYER



Werner Baumann has been CFO at Bayer since May 2010. Prior to his appointment he held a number of different roles in the company since joining in 1988. He has worked across Bayer operations in Spain, the US and, for the last nine years, in Germany. His principal recent role has been at Bayer Healthcare AG.

"For me, the role of finance in ensuring cost and process efficiency remains critical, the challenge is then to move finance out and maximise the value in supporting the wider business.

At Bayer we have around 200 to 250 people in corporate finance and treasury globally, which includes headquarters, and the treasury functions in some of the hubs. They include financing companies, so it is already a highly consolidated function.

In terms of our performance, the company has just gone through an efficiency program and the results of that were encouraging. As confirmation of that, there was a recent report from the Bank of New York Mellon which looked at our US finance function and their assessment was that they had never seen a company which is so efficient and so highly automated in the financial processes of the business. However, we can always improve.

"Ultimately finance and business are not two separate parts, but actually integral elements of a well functioning company."

The question then is whether we as an organisation are able to take that efficiency that we have developed within the finance function, and take finance further out into the business. That includes how finance staff work with other non-finance staff to support innovation, for example.

It is a key question and of course, if you consider functional excellence, it is clear that you need to create an environment which provides people with the opportunity to continuously improve on the core capabilities of the finance function.

But if you do that in isolation, it will lead in the end to further isolation. And that is the opposite of what is needed in order to make sure that the finance function caters to the business needs. Ultimately, finance and business are not two separate parts, but actually integral elements of a well functioning company.

The issues are always at the interface, so consider the example of capital markets. If we want to issue commercial paper, or to issue new shares, that is a non-issue because it is in capital markets, either in debt market or an equity market issue that we deal with in the finance function. That is clearly a finance function responsibility.

But when it comes to financing our operational business, be that discussing terms and conditions with suppliers, potential win-win solutions in supplier financing, or to making smart business decisions on how we best support our commercial organisation with customer financing, the finance function has to be an integral part of the business and work outside the lines.

That was certainly the case at the sourcing end of the business processes, where we had to make sure that our procurement organisation on the one hand, and the finance organisation on the other hand work together seamlessly. If they don't do that, it ends up in suboptimal business results for the company.

The procurement organisation focuses on optimising the price per item. They don't look at payment terms, for example, or if there are purchases outstanding. And maybe things which are a little bit more innovative, like supplier financing, do not come to the mind of a normal procurement manager. And that's because he/she does not have exposure to a truly involved and business-minded finance function.

That disconnect means that we have to improve the way we develop our finance staff. What we have come to realise is that developing expertise 'monolithically' or within a silo mentality is not a smart way to develop talent, because they do not necessarily understand what happens on the other side of the fence. Think of it as there being two small backyards – you don't have a clue what is going on in your neighbourhood.

In order to make sure that we avoid this mentality, we are transitioning into a much more broad and holistic approach to talent management. This means that when young people who have an 'economics' background, for example, arrive at the company, be it into consulting, finance and accounting or business analysis in the operational business, they have to rotate during the early years of their careers. That means they have a short stint in the business units, then go into finance, look at treasury and how to finance the company, go into accounting, and understand how a country organisation works and so on.

Once you have done that you should have a fairly good understanding of how our company works, and wherever your next job is, whether you are dealing with the broader management responsibility or a function expertise, you are immediately enabled to look at other important issues you have to take into consideration. And that also means you will not be looking at a finance division in isolation and, with this approach, we get the sense of the way our business works.

Of course, you need to make sure you have the right resourcing structures in place to allow this to happen. That means that the more automated you can make your back office functions, the more you can free up your finance staff to make a higher value contribution.

At the same time, the increased flexibility and versatility of our talent pool means that it is much, much easier to be able to shift from one area to another. That often happens at a time when a lot of people look for stimulus and a new challenge, because they are getting stuck in a routine.

"The more automated you can make your back office functions, the more you can free up your finance staff to make a higher value contribution."

Because it is true that not everybody can rise up in the ranks of the company, it is really also an absolutely essential element of better career and employment development that we provide people with the opportunity to work in a different area. And the better they are prepped before, because of the exposure they have already had to other parts of the company, the better it is for both the company and the people.

The worst thing for me, as an employee, is to find myself in my late 30s, having done a job for ten years, and my supervisor tells me that the level I have achieved is very nice, but it can't go any further. With that, the really tough message is: you have not done anything other than the job you are doing right now in your professional life, and you are a specialist who cannot break out of that mould anymore. You are stuck for the next 25 years, and that is a very long time to look ahead."

2. THE COMPETENCIES REQUIRED OF FINANCE PROFESSIONALS

As we have seen in Section 1, finance's increasing focus on value creation and a higher level of business collaboration and partnering are achieved through the activities finance professionals carry out as part of their duties. How then does the split between more traditional technical activities and more business facing ones change as the finance organisation develops the collaborator and business partnering role?

In this report we shall concentrate first on identifying the activities that feed the need for specific business and technical skills and competencies as perceived by finance professionals themselves, and then contrast this with the perceptions of the senior non-finance managers who drive organisational strategy.

How the finance professional's time is spent

Personal time allocation	
Finance professionals on average report the following as the principal areas in which their time is spent:	
24%	Management accounting and information analysis
20%	Management support and performance management
19%	Management support
16%	Other eg staff management and administration
11%	Accounting and management information systems
10%	Statutory and external financial reporting and specialist activities

However, the degree is highly dependent on organisational location.

- Further analysis shows that members of a centralised finance team spend a higher proportion of their time on accounting operations and management accounting (46.6%) than do those in decentralised roles (32%).

However, this is still an appreciable proportion of time being spent in these areas for the integrated professional. The CIMA view here suggests that as large organisations enjoy economies of scale they can process and report more efficiently. However, these organisations also become more complex to manage and need the management accountant's support to provide better insight for decision making and help manage risk and performance.

The time spent on particular activities provides some measure of their importance to the individual who undertakes them; however, this does not necessarily accord with their importance to the organisation's achievement of its objectives. This relationship is therefore critical in understanding finance effectiveness and also in both identifying and rating the skills and competencies required.

Time spent on activities and their importance to meeting organisational goals

Figure 2.1 shows how respondents ranked a range of activities or issues in terms of how important they felt these were to their organisation's success.

We can see that many of the top ranking activities by importance (communication, presentation, business advice, interpretation and so on) are those we would expect to see in a function with an orientation towards the business. These are activities which require business competencies.

In order to better illustrate the competencies required and their importance we have colour coded these activities or issues under broad headings which relate to the following role types:

- strategic and advisory
- regulation and governance
- management accounting, information and advice
- financial accounting
- systems
- other (managing staff etc).

These role types and the principal activities associated with them are listed together in Table 2.1 (over) but we can see each of these activities or issues and its importance here in Figure 2.1.

The colour coding in Figure 2.1 highlights that finance is a team game requiring people with the competencies to fill a broad portfolio of roles:

- strategic and advisory or 'business partnering' roles are obviously important
- people management is ranked as the most important activity
- the preparation and communication of management information are key roles
- financial accounting and systems roles are clearly important too.

FIGURE 2.1: Importance of activities and issues to an organisation's success

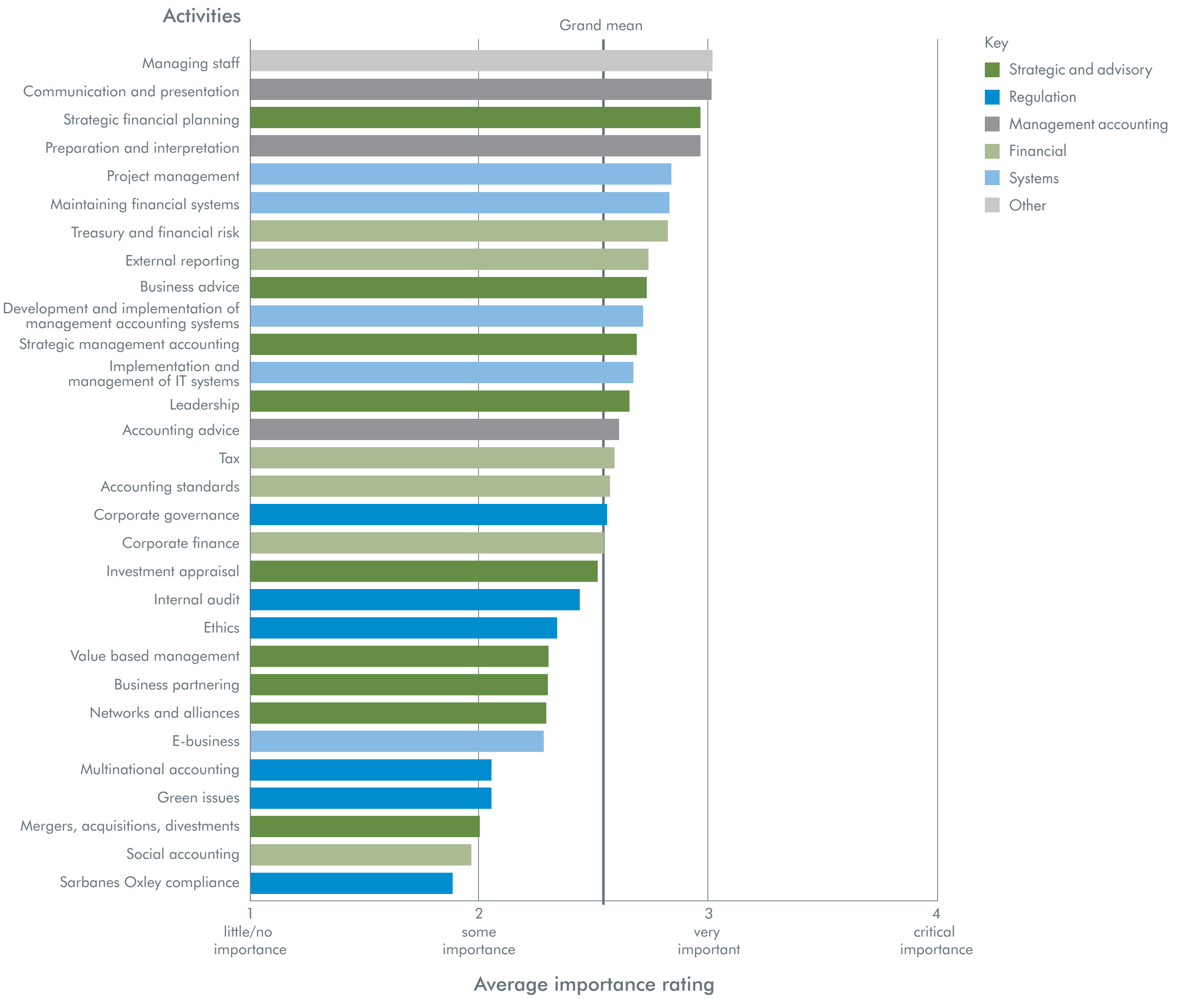


TABLE 2.1: Role types and principal associated activities

Role type	Principal associated activities
Strategic and advisory	• Business leadership, advice and partnering • Strategic techniques (financial planning, strategic management accounting etc) • Strategic relationships (networks and alliances; mergers, acquisitions and disposals)
Financial	• Finance (corporate finance, treasury) • External reporting (including accounting standards) • Tax
Management accounting	• Preparation and communication of management accounting information • Accounting advice
Regulation	• Ethics and governance • Internal audit • Sarbanes Oxley and multinational accounting • Green issues
Systems	• Information technology • Financial and management accounting systems • e-business

Business and technical competencies

The term 'business competency' embraces a range of broadly business or commercial-oriented skills (Table 2.2). 'Technical competency' encompasses two distinct skills (Table 2.3).

There is not a total divide between business competency on the one hand and technical competency on the other. Change management and risk management skills for example both represent an 'intermediate' competency.

Despite the complexity and specialism of technical competency, what is interesting is that finance professionals attach greater importance to general business competencies above traditional technical skills in accounting and IT. This is true whether or not the individual finance professional is acting in a business partnering role (Figure 2.2).

Thus overall it is communication, problem-solving, business and interpersonal skills that are all regarded as being very important (though not critical) by a finance professional, while technical accounting and IT skills are viewed as being no more than important.

This certainly is reinforced by the activities that are rated as most important within the finance organisation as we saw earlier in Figure 2.1. Here we saw communication, presentation, interpretation and business advice activities rated very highly. It therefore appears that finance see the areas for improvement and development aligned with the activities that are deemed as most important for the function to carry out.

It appears then that the finance professional takes the technical skills as a given and the base, while seeing business skills as significantly more important in their role. This is aligned to the rise in closer collaboration and partnering with the business that we see is a key trend for the finance organisation.

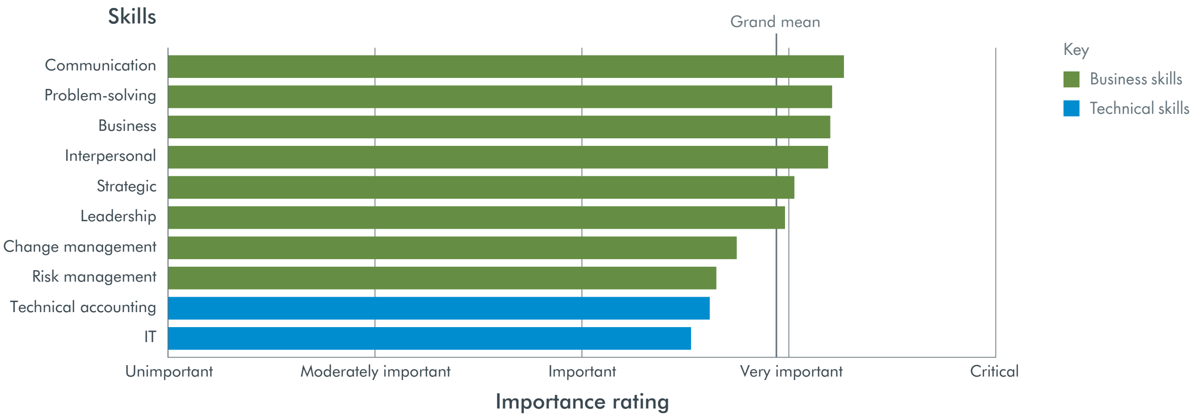
TABLE 2.2: Business competency

Interpersonal skills	Team-working, conflict management and influencing/negotiating
Business skills	Good understanding of the organisation's objectives, operations, market environment and ethical issues
Leadership and project management skills	Leading others, managing resources and delegating effectively
Strategic agility	Flexibility and 'thinking on your feet'
Communication skills	Written, oral and presentational skills, and communicating effectively with non-finance people
Problem-solving skills	Taking a critical and methodical approach when problem solving
Change management skills	Assessing and facilitating change
Risk management skills	Understanding the sources of risk, and evaluating risks and methods for their control and mitigation

TABLE 2.3: Technical competency

Accounting skills	Broad understanding of the technical issues and ability to keep up to date with new accounting rules and regulations
IT skills	Ability to keep up to date with new concepts, techniques, tools and technologies

FIGURE 2.2: Importance of skills to the finance professional



Competencies needed for different roles, duties and degrees of seniority

The importance of business and commercial skills within finance is noted across the full spectrum of finance roles, however there is a clear difference in the level of this importance for certain roles. While business competency is rated as more important overall by finance professionals, the exact skills needed for a particular role or set of duties sees the balance between business and technical competency shift subtly. We see that the mix of competencies required is very much dependant on the type of role.

Type of finance role

Each type of finance role has a different emphasis on the two main competencies, with a clear spectrum running from the strategic and advisory role (comparatively strong on business skills, less on technical) to the financial role (vice versa).

The need for technical competency is relatively weaker in the strategic and advisory role than that for business competency. But we see that for all the other four roles, management accounting, systems, regulation and financial, there is a relatively stronger need for technical competency.

As for business skills, while the need for these is relatively much stronger in the strategic and advisory role type, it is slightly weaker for all the others – notably in the regulation and financial role types. Thus the balance of competencies is very much role-dependant: each role type encompasses a portfolio of activities and a mix of competencies and skills is needed for each.

Interestingly while technical competency is slightly more important for the management accounting role type than business skills, this is the role where there is the closest balance in the need for both types of competency (Figure 2.3).

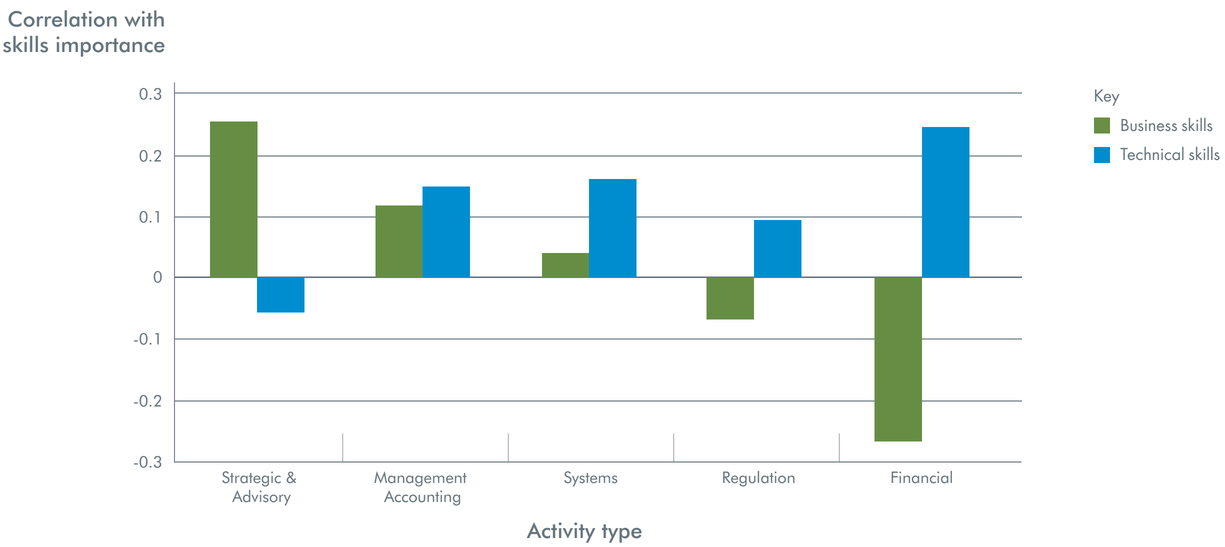
As we will see later, it is this balance of skills that are evident in the management accounting role that are also identified as those required for finance leadership. This therefore provides an opportunity for the Chartered Global Management Accountant to advance in their careers.

Type of duty – back office versus front office duties

Rather than concentrating on types of role, we can distinguish between finance professionals on the basis of whether they have 'back office' duties (general and specialist finance/accounting) or 'front office' duties (providing finance/accounting support to operating units, and also actually being part of these units).

This analysis shows that business skills are seen as increasingly important by finance professionals as they move from back office duties with the lowest

FIGURE 2.3: Correlation between role types and skills



business orientation (general finance/accounting) to those with the greatest, where individuals see their work as directly relating to other functions/units.

Thus the balance of competencies is duty-dependant as well as role-dependant.

Level of seniority

As one would expect, the technical/business competency balance is also affected by the finance professional's degree of seniority. Both types of competency are relatively much more important for senior than for non-senior finance role groups. Also as one would expect, business competency is very important for non-finance personnel while skills in accounting and IT are relatively less important.

It is interesting to note here again that the other area where the research saw an almost balanced need for both types of business and technical competency was in the management accounting role. One interpretation suggests that since senior finance roles and management accounting roles both require the closest balance of these skills, it is the management accounting role that offers a good or the best preparation for developing senior finance professionals.

Size of organisation

In SME organisations finance professionals are generally in short supply and so their primary value to the organisation is in exercising their technical skills.

In large organisations, they may specialise greatly in terms of the technical skills they employ but there is also greater demand for them to make use of more business-oriented skills in performing their duties. These are more likely to involve front office duties and collaboration/business partnering roles.

The declining importance of technical skills in large organisations, as perceived by finance professionals, reflects a decline in the relative importance of the financial and regulation roles in such organisations. This reinforces the need and demand from the organisation for more business skills.

Competencies needed for increasing levels of business partnering

With the increased level of collaboration and business partnering that has been driven by finance transformation, it is not unexpected to find that finance professionals perceive the need to rely more on the exercise of business competency. In addition, however, we see that the need for technical competency also increases in importance as business partnering increases.

As such, business competency does not supplant technical skills with increasing levels of business partnering and collaboration. Instead we see they increase in importance at about the same rate.

The idea therefore that finance roles involved in closer collaboration with the business, such as business partners, need to have a sole or greater focus on the business and softer skills with less requirement for technical accounting skills is not supported. Finance technical skills are still as important, reinforcing again the need for an interplay and a balance of both competencies.

The customer view – how non-finance management view the competencies of finance professionals

So far we have considered the perceptions of finance professionals themselves in relation to the two types of competency that they exercise. The view of non-finance management (shown in Figure 2.4), finance's customers, is a little different however.

Overall management outside finance attach a much greater importance to the technical accounting skills – they dominate all others.

Non-finance management appear to consider these as the core value skills that finance professionals bring to an organisation. It is interesting that while considered important, these were rated almost least important by finance professionals themselves. There is, however, consensus between finance professionals and non-finance personnel regarding the relatively high importance of communication, problem-solving and interpersonal skills.

Finance professionals take their technical competency for granted and concentrate on the development of business competency which is perhaps more of a challenge but which is also a skill set they realise is becoming more of a requirement. At the same time they also see a need for a complex interplay of skills.

Non-finance management perceive clearly that it is technical skills that set finance professionals apart and that add greatest value to the organisation. However, while technical competency is deemed as critical, management recognise too that business competency and commercial and management skill sets are important. Furthermore, this need for both technical and business skills extends across all finance roles as we have discussed before.

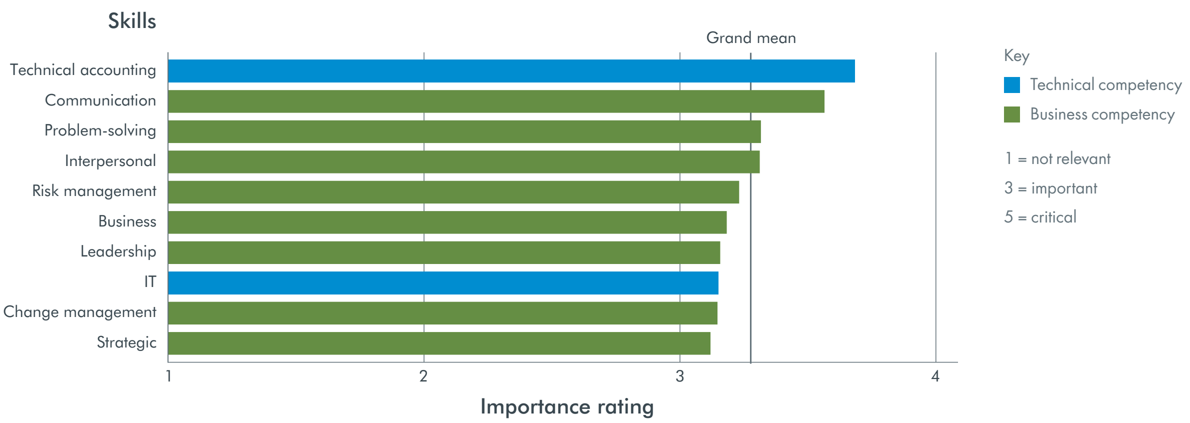
The importance placed on business competency by finance personnel together with the requirement from non-finance management for an interplay of both technical and business competency illustrate clearly the shift in collaboration within the organisation. With finance bridging the technical and business areas to become better value creators and supporting decision making.

This is supported by some of our consultations that point to the need for all finance professionals to have this mix; business partners require sound technical knowledge while the specialist roles (such as tax, treasury and reporting) equally need to develop business skills to interact better within the business and with other stakeholders.

A minority view is that there is still some way to go for finance functions to be open with non-finance people in the organisation about what they do and how they do it. This lack of openness perhaps contributes to the notion prevalent among non-finance management that business competency is less critical, simply because they are unaware of how important it is becoming within the finance function. The suggestion is that perhaps finance could be more transparent in this area.

Finance professionals' strategic agility is felt to be very important by finance professionals but is seen as the least important of all their skills by non-finance management. Consultations clearly mark seniority as being a key factor here; in senior finance roles such strategic agility is acknowledged as critical.

FIGURE 2.4: Importance of finance professionals' skills to non-finance management



The implications of these varying perceptions for the Chartered Global Management Accountant are two-fold: while there needs to be greater openness amongst them about what they do, how they do it and what value they bring, they may also need to place greater value themselves on their technical skills as it is these that are so highly rated by their non-finance colleagues and management.

Top five skills in most need of improvement by finance personnel – rated by senior management

Rank	Skill to improve
1.	Interpersonal
2.	Communication
3.	Strategic
4.	Technical
5.	Leadership

Skills development – the priorities

Where senior management were asked to rate the skills that most needed to be improved by finance professionals (as shown in Figure 2.5), there was no clear consensus about any particular areas although there was some emphasis on the need to improve interpersonal, communication and strategic agility skills. The areas ranked highest also help to further demonstrate the need for finance to work and communicate more and better with the organisation and input to the strategic and leadership areas.

It is these areas that finance's customers are highlighting for action and improvement.

This highlights a real development challenge for existing finance professionals, and reinforces the need for these skills alongside technical competency for those wishing to enter and prosper in the finance field.

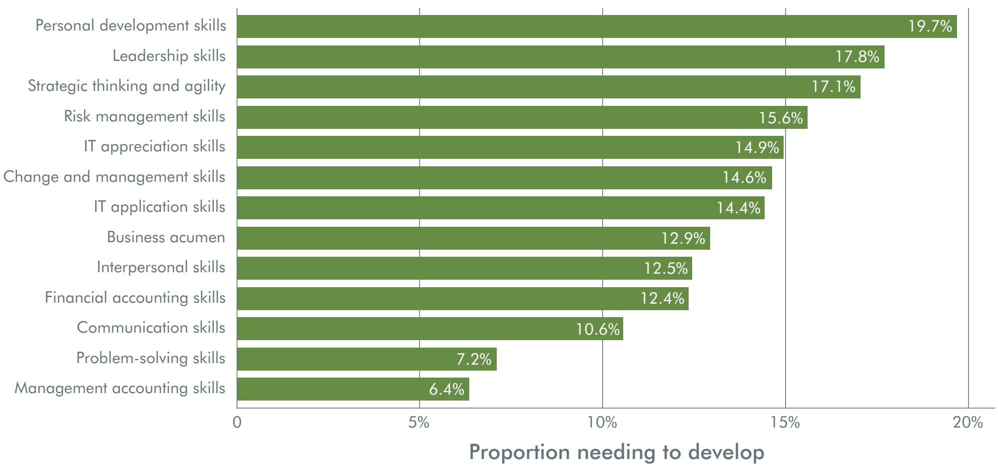
When we look at finance personnel, and the skills they identity as key to progress in their career we find similar skills listed for development.

- The more junior finance staff recognise that the business skills are key ones to develop in order to progress – so the prominence of 'business skills' is consistent with their association with more senior roles.
- The interpersonal skills are top-rated in terms of the need for development, possibly suggesting that a focus in personal engagement and motivation may have been neglected by finance staff and their employers.

As would be expected, non-senior finance personnel are more likely to indicate the need to develop skills. However, it is notable that this recognition also extends to technical skills. This suggests that the need to keep developing technical accounting skills is perceived to continue up to senior levels – career progression depends not just on the development of business and management skills.

This finding reinforces the notion of life-long learning as a key requirement of the profession and adds to the earlier findings that finance leadership roles continue to require technical financial and accounting skills.

FIGURE 2.5: Skill development needs for the finance professional



Summary and recommendations

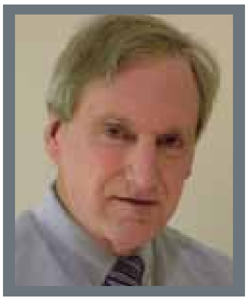
The research, together with the consultations undertaken, highlight some interesting areas that would suggest calls to action for different stakeholder groups:

- For the person looking to start a career in finance, with ambitions to reach the senior tier, our analysis points to the need for a qualification that provides the technical core competence in finance but that also develops the management and commercial skill set.
- For the finance professional who is looking to 'fast track' and progress into senior roles, the types of skill that need to be built and developed are clear: technical expertise is there already and so the focus should be on communication, interpersonal and strategic skills. In addition they should pursue the roles and activities that aid their development towards senior positions, namely those categorised as management accounting or strategic and advisory roles.

Organisations planning the development of their finance functions and finance professionals need to integrate a healthy pipeline of suitable candidates to take on the roles of future finance leaders and drive value creation. The research would seem to suggest a variety of actions:

- Recruit people with professional finance qualifications that develop both technical finance competence and business and commercial skills.
- Train existing staff in a professional finance qualification to provide the technical competence.
- Develop career plans that are designed to expose staff to both the technical and the commercial and business skill sets; placements in one of the strategic and advisory and management accounting roles could be one way to achieve this.
- Ensure that there are learning and development opportunities in place to support finance professionals in developing the business and management skillset – in particular the areas to drive effective collaboration and decision support; as communication, interpersonal and strategic skills.
- Identify retention strategies and actively target these at those staff who have attained technical and business competencies and experience, since they are likely to form the finance senior team of the future. Some of this group will move outside finance into the organisation's senior management roles.

TALKING HEAD
JIM MORRISON, CFO, TEKNOR APEX



James E. Morrison is the CFO of Teknor Apex Company, a privately held manufacturer of plastic compounds headquartered in Pawtucket with facilities in the US, Europe and Asia. Jim is on the Board of Directors of the Rhode Island Society of Certified Public Accountants, and serves as Chair of the Business and Industry Executive Committee of the AICPA. He has an MBA from Xavier University, and a B.A. in Accounting from the University of Missouri.

"The finance function has undergone a significant transformation over the past ten years. We have moved closer to the business, and are now considered part of the decision making team. Anyone predicting the end of the finance function did not foresee this development.

The transformation begins with a clearly thought out organisation plan. This plan needs to set aside finance professionals as business analysts, and give them the mandate of creating value. You can't just say to somebody in finance 'while you're doing your current job, you need to be a business partner and by the way, could you find some time to be an analyst?' You have to establish and support that position.

A key stage in the transformation of the business analyst is to physically place them in the heart of the business team. If they are going to be a business partner they need to be sitting with the management team. The final stage is to create the desire to have business unit goals that are aligned with corporate objectives.

"The true value of the business analysis function comes in the forecast of the future results and performance. As the finance professional, you become the key go to person for decisions impacting the future."

The basic analysis support function involves budgets, capital decision analysis, and measuring business performance. But the true value of this function comes in the forecast of future results and performance. As the finance professional, you become the key go to person for decisions impacting the future.

It is important that the business analysts broaden their perspective and understanding of business processes. So when a question comes up, whether a project proposal or a technical accounting issue, the analytical approach is to start connecting the dots to the other areas that will be affected. Continued exposure to all the different functions in the business gives one this capability, but the best analysts quickly identify the critical impact areas, the 'value levers'. I think this helps you see the result of actions in one small area and how changes can affect the wider business.

While there is a transformation, the business analyst must remain true to their profession. There is a fear among some that the lines may begin to blur if finance works too closely with operations. But that won't happen if we acknowledge our ethical roots and ensure that decisions we are promoting are for the benefit of the total company and its stakeholders. This objective and non-biased approach will continue to build credibility within the organisation, and promote the finance professional as a catalyst for value creation. I tell my team that everyone should think of themselves as a CFO of their area, because the CFO always asks what is the best decision that will benefit the company long-term.

Reporting lines are important. In my view, the business analyst needs to have a strong dotted line to the business manager they support. Without this they will never attain business partner status. However, to protect the integrity and independence of the finance professional, a direct line back through finance is preferable. The finance function is usually going to remain the career ladder of choice, and that connection should not be severed.

While the business manager should have input on the performance rating of the business analyst, the financial head should have the final judgement of their performance.

All this involves a learning curve, and I have always believed that for a finance person to be considered a partner, they have to be accountable for the business performance. I tell the finance people they are just as important as anybody because they are going to help people around the business make good decisions; they are going to help them see where they are going off target and where they are on target.

Frankly, the people that I have right now – the business analysts that are on the operational teams – are rewarded just like their counterparts in those business teams: 20% of their bonuses based on corporate performance, 30% on the business performance, which is usually an EBIT number, and 50% on personal targets. So they are totally accountable.

"The transformation of the finance function has resulted in bringing value to the business. Finance professionals today are more likely to be seen on the front line bringing a clarity to decision making, always with an eye to the future."

Clearly that's even more important given the state of the economy. I have seen business managers listening far more to their business analysts now because the environment is so complex and volatile. The result is that those managers are now more likely to focus on strengths and to quickly address the problem areas.

The transformation of the finance function has resulted in bringing value to the business. Finance professionals today are more likely to be seen on the front line, bringing a clarity to decision making, always with an eye to the future. It's an exciting time to be a finance professional."

3. TRAINING AND DEVELOPMENT OF FINANCE PROFESSIONALS

We have seen that the research points to technical specialism as critical for the finance professional but with an ever-increasing importance attached to business competency across many types of roles within finance. How is this being translated into action when the recruitment, training and development of finance professionals come into play?

Having examined the types of competency that finance professionals require to fulfil their roles in an organisation, we turn now to their training and development. We look at what is most useful and what support is actually provided. We also note that 'learning through doing' is very useful although it is probably seldom delivered in a structured manner as a form of training.

TABLE 3.1: Usefulness of training and development methods (senior personnel)

Usefulness rank	Types of training and development method	Activities involved
1.	Learning through doing	Job rotation/co-location, coaching/mentoring, secondments, exposure to top management
2.	External training courses supported by the organisation	Short one-off courses
3.	External continuing professional development (CPD) supported by the organisation	Activities to maintain a professional qualification
4.	In-house education and training face-to-face	Lectures, seminars, formal programs
5.	Knowledge sharing	Discussion groups, study groups and Action Learning (small groups or 'learning sets' meeting to discuss each other's experiences)
6.	External education courses supported by the organisation	Working towards a professional qualification or an MBA
7.	In-house education and training using technology	Blended learning (distance learning through TV/online, supported by traditional methods such as seminars), computer-based learning
8.	External activities not supported by the organisation	Training/education courses or CPD activities (as above) undertaken by the employee entirely at their own expense
9.	Knowledge sharing using technology	Best practice intranet, internet chat rooms, blogs

A substantial majority of the survey sample has experienced the range of training and development methods tested and all were found useful in their development. In order to best support organisations and finance professionals formulate their development strategies and plans, the research has explored these methods and analysed their ratings and use within the best performing organisations.

Training and development methods: use and usefulness

The types of training and development methods evaluated in the research are set out in Table 3.1 on the previous page, ranked according to how useful each one was rated by senior finance professionals. In fact only four methods were rated 'useful' (coloured green) at all; the remainder were rated 'not useful' (coloured blue).

Senior finance professionals rated on-the-job experience ('learning through doing') as the most valuable developmental tool overall. This is supported by our interviews and consultations with practitioners: exposure to on-the-job experience is highly valued.

It is very notable though that no single method is evaluated overall as 'very useful', although amongst the more formal methods there is a slight preference for all external modes of delivery.

That external education, including working towards a professional qualification or an MBA, is seen as less useful than other forms of training must give pause for thought to all educators. Many in finance already have a financial qualification, and we will see later that many organisations prefer to recruit fully-qualified people, so this rating may not seem particularly important or relevant.

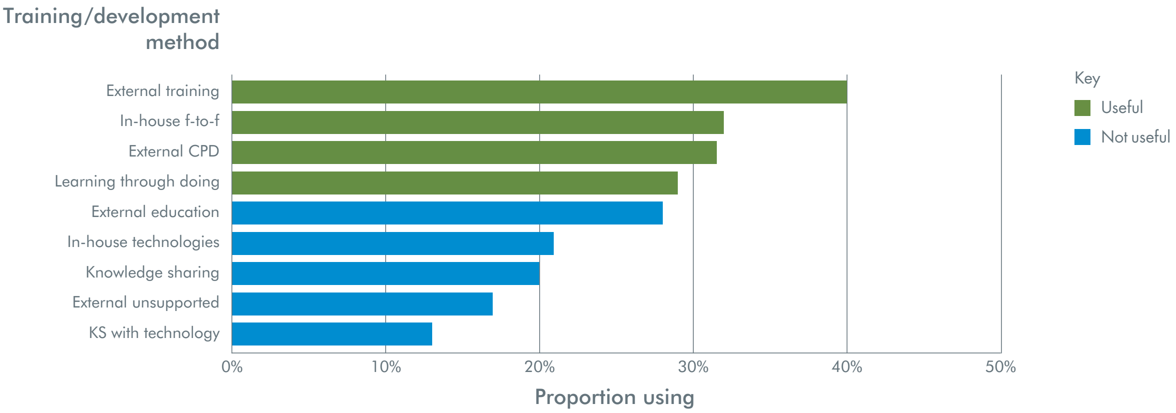
However, consultations point to a need to do more to enhance the practical value of qualifications, particularly in the earlier years of training – though there is an acknowledged difficulty here in that qualifications have to provide a common curriculum which is not necessarily oriented towards any particular type of organisation.

Current trends towards employing technology-based modes of delivery for education, training and knowledge sharing are not necessarily leading to improved usefulness. However usage of technologically-based methods of delivery is relatively rare, which means there is relatively much less experience of their use and this goes some way to explaining their weak ranking. Consultations point to these types of learning and development being on the increase as better solutions are developed and made available, and organisations begin to explore and use them.

The degree to which training/development methods are used in practice is generally in line with their usefulness except that 'learning through doing' figures lower in the usage ranking than its relative usefulness as seen in Table 3.1 would suggest (Figure 3.1).

In relation to the low usage of 'learning through doing' it may be that while such practical, 'hands-on' and relevant training is extremely useful it proves difficult in practice to deliver. Many organisations do it successfully with rotations and secondments. But for this to be effective a wider training and development strategy and plan are required.

FIGURE 3.1: Usage of training and development methods



‘Learning through doing’ may in future become more prominent and use more virtual technology solutions. It seems there is a clear case for making the availability of this type of development more widespread; the issue is how to do so. One way is to encourage virtual collaboration and working in teams across the organisation via projects and using information technology. These are often used to give hands-on experience, and they facilitate business partnering without requiring physical relocation in the business.

Over 40% of organisations use external short or one off courses; this is the most frequently used method and is ranked second in terms of usefulness. But overall take-up of training and development methods does not seem to be high: the proportions using each method are surprisingly low.

For instance, knowledge sharing, including situations where it is technology-enabled, is rarely used although it is highly ranked in terms of usefulness and effectiveness suggesting this is an area for substantial development and action by organisations.

It seems that in larger organisations in particular the idea of disseminating best practice is considered vital and effective.

One line of thought from our consultations points to the possibility that some organisations may just go for the easiest approach to training and development by making simpler, more traditional methods available, for instance by adopting a list of short courses. Some claim that employers have training and development policies as motivation and retention tools which are not necessarily geared to the needs of the organisation or the employee.

In addition the higher rated learning activities and tools require more planning, more time and more complex implementation, so employers may be put off from using them. These are short-termist approaches as the real value of training and development policies and offerings is to ensure that employees have the opportunity to gain the right mix of those business and commercial competencies that we have discussed.

It is this interplay of skills that is key to the finance professional, and to the roles within the finance function as it goes forward in its transformation journey to real value creation. The potential return on investment for organisations which focus on the higher value training and development activities is therefore clear to see.

The low usage rate of e-learning and technology-based methods is notable because these are areas in which many organisations have made substantial investments for the development of solutions, yet they are used in practice by only between 13% and 23% of organisations. Given their low ranking in terms of usefulness that we saw earlier it is possible that the full potential of these methods has not yet been fully realised.

The effect of training and development on the career progression of non-senior finance professionals

Finance professionals who have recently experienced external education, such as professional qualifications or degrees, perceive it as having played a significant part in promoting their career development.

While we have seen that external education is not rated particularly highly by senior finance professionals there is a much higher level of regard for it from non-senior finance professionals (Figure 3.2). This probably reflects the fact that they are likely to have more recently experienced external education, such as studying for their professional qualification. Certainly it appears that those who have undertaken such programmes perceive it as having played a significant part in promoting their career development, since not qualifying might have halted their career in finance early on.

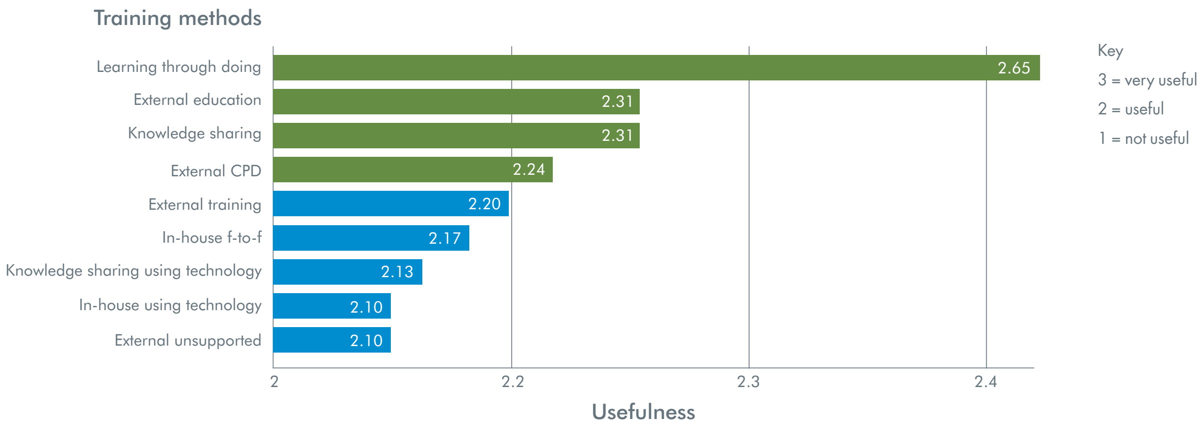
The clear superiority of experiential based learning 'learning through doing' over other methods is again clear. The finding reinforces the 78% of respondents who agree that 'secondments to other parts of the business' as the best development method.

How the various training and development methods are rated for usefulness and for usage by non-senior finance professionals is interesting: they rate external education as being the second most useful in Figure 3.2 but report it as being the least widely experienced method in practice.

This highlights two important issues: first that non-senior finance professionals place enormous value on receiving proper support for the professional qualifications that they perceive as being held in high esteem by the market, and secondly that their demand for this support is not being met.

There is a lesson here for the employers – even if staff do not receive this form of training and development, this does not stop them from wanting it and valuing it. The implication is that an employer which offers such training support will always be in a better position to recruit and retain the best finance professionals than those not prepared to make such an investment.

FIGURE 3.2: Usefulness of training and development methods for non-senior finance professionals



Organisational support for training and development

Organisations can support the training and development of finance professionals in a number of ways and to meet a number of training objectives (Table 3.2), but there appears to be a chasm between what support organisations claim to provide in theory and what they actually do, or are perceived as offering, in practice (as first seen on page 29 in Figure 3.1).

Although respondents would work for different organisations, there are significant differences between the levels of support which senior respondents say their organisations provide and the levels which other respondents report that they experience. For example:

- Allowance is made for continuous professional development (CPD) leave and/or fees by approximately 60% of organisations but only 32% of our sample actually report using CPD training.
- While 76% of senior finance management claim they support staff by paying for exams and course fees and providing study leave, only 29% of respondents have actually received such support.

It seems that the facilities are available in theory and the policy of many organisations allows for support, but it is not necessarily applied in practice. Bridging this gap between policy and implementation is critical for organisations to ensure that key staff are retained and that their finance personnel add value to the business in the way that is planned.

Where organisations do not provide support for training/development, the most common reason – given by 42% of organisations – is that it is too expensive.

Three other reasons were also cited by more than 30% of these organisations:

- that all training is done in-house
- that only qualified people are recruited
- that training requires too much time away from actual work.

The first two points are probably linked, in that external training is expensive and time-consuming so it may be a good idea to bring it in-house, but the last two criteria given raise a concern. A significant proportion of organisations seem to believe that by recruiting qualified finance people they may not have to invest as much in continuing training or development.

As we have seen in previous sections, the changing requirements for skills and competencies within finance are a reality and these organisations may quickly find that their finance functions are not fit for purpose if they do not support their staff in acquiring these essential skills. The transition of their finance functions to becoming value creators will be compromised by the apparent lag in their development policies.

TABLE 3.2: Percentage of organisations providing support in policy and practice (as reported by senior finance management)

Training objective	Nature of support	Organisations providing support in policy (%)	Organisations providing support in practice (%)
Professional qualifications	Paying for exam and course fees	76	29
	Allowing time off for study leave	76	
Post-qualification CPD	Paying fees for activities	58	32
	Allowing time off for activities	60	
Other training courses	Paying fees	78	40
	Allowing time off for attendance	78	
Other support		29	

It would appear therefore that finance and human resources management need to monitor the return on investment in training and development closely. Limiting the most effective training or education activities may not be the most efficient strategy in terms of costs and benefits in the medium to long term. This entails limiting the skill set of the finance function and possibly negatively affecting the retention of key people.

Individual responsibility for development

But while both employers and employees are generally in agreement on the need for training and development, it cannot be left to the employer alone to drive this forward. Our consultations illustrate that individuals must also take responsibility for their own development. Some are accused of not making time for development or simply of not having the will – of 'not being bothered'.

As the shift in skills requirements continues, finance professionals need to take a much more proactive approach to identifying skills gaps and areas for their development. They then need to work with their employers to find out what support is provided by their organisations, setting realistic and achievable development plans for action.

The increase in skills required is not restricted to advisory or senior roles, as we saw in section 2. As it affects all roles in the finance function the need for proactive management of their own training and development will affect most individual finance professionals.

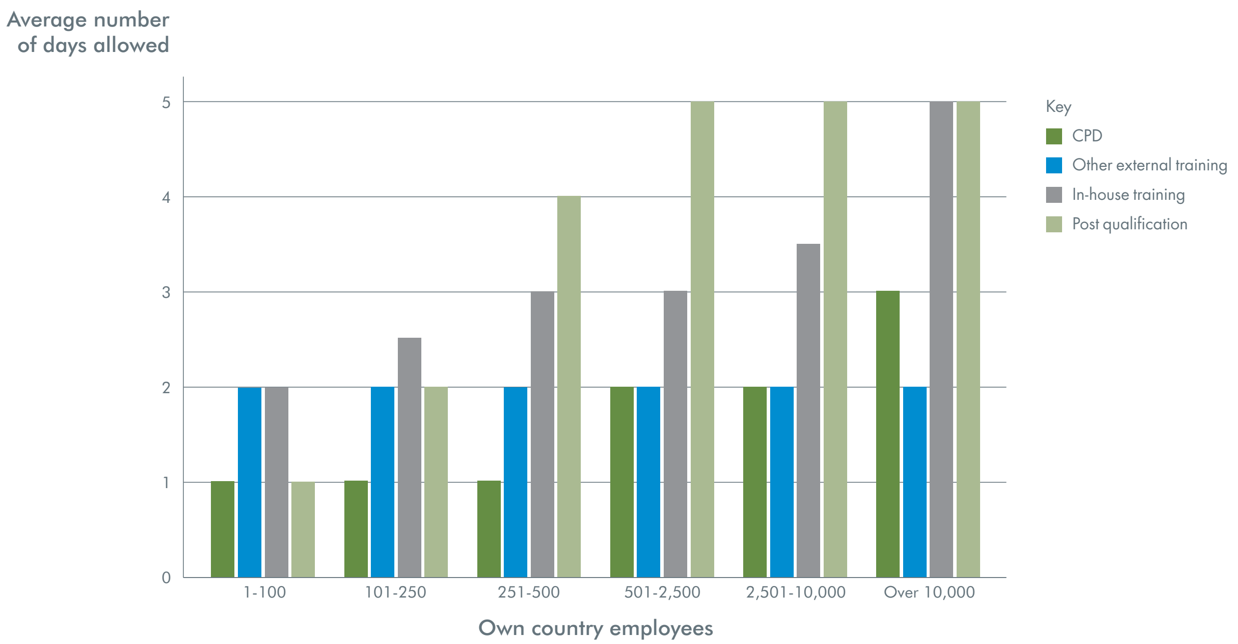
Organisational support by size of organisation

The bigger the organisation the more time is allowed for all forms of training, but especially in-house training as the benefits of economies of scale in training provision are enjoyed. Cost is again the key factor here as training cost per head reduces in larger organisations.

Furthermore, we see that having consistent training and development programmes for many staff and across locations becomes more important to organisations as they grow. This leads to higher use of in-house programmes where the training can be controlled and delivered consistently to groups and in multi-locations.

But size has less effect on the time allowance for undertaking a professional qualification which is relatively consistent at four to five days once an organisation has more than 250 employees. This again illustrates the importance placed by all types of organisations worldwide on having finance functions staffed with people with professional finance qualifications (Figure 3.3).

FIGURE 3.3: Time allowed for training (reported by non-senior management)



The case for focus on the management support roles

We saw in our introduction the increasing requirements for finance to work in a collaborative and partnering role with the rest of the organisation, in supporting management. A substantial majority of the finance professionals and senior management in non-finance roles surveyed support the link between performance and focus on management support by finance. A view shared by the CIMA panel and our interviewees:

- 75.4% of the survey respondents agree that when finance staff work in the management support area it helps the organisation better achieve its goals.

Given the importance of the management support service, the organisation needs to consider not only how competence to deliver this service can be developed, but how to target such development effort.

An important question arises: should learning and development resources and investment be directed towards all finance professionals or targeted towards a group better suited to benefit from this investment?

The results here firmly support the need for careful targeting in developing professionals to undertake partnering or management support activities since:

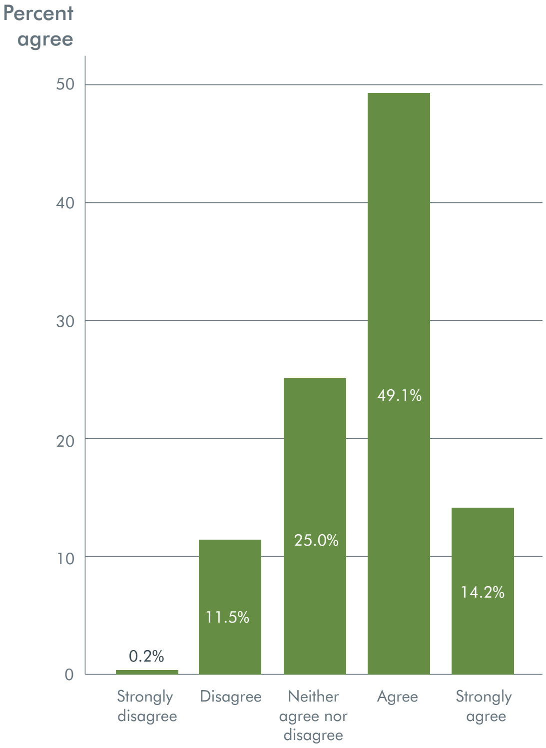
- 72.9% feel that not all finance professionals wish to be involved in this area of work.
- 77.2% feel that only certain people have the right personal characteristics for this type of work.

Developing competency in management support

Respondents had similar agreement levels on the best method and way to develop finance professionals for undertaking management support activities:

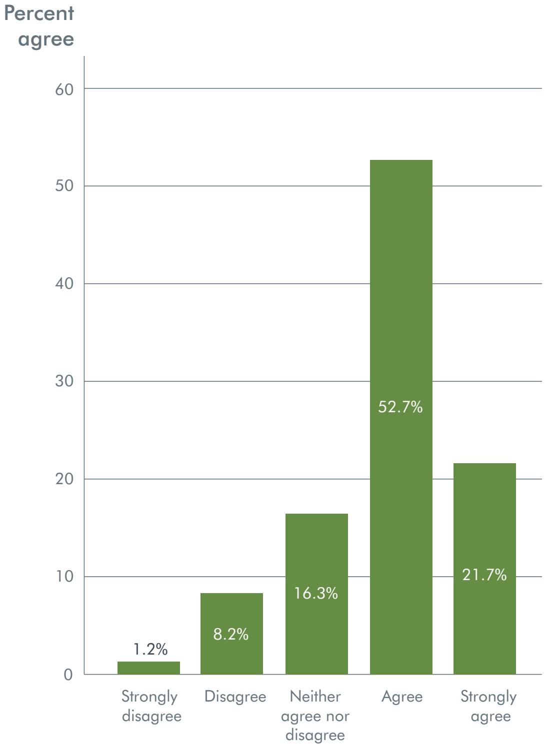
- 83.3% agreed that training focused on the organisation's operations and goals is the best method.

FIGURE 3.4: Methods of obtaining personnel suited to management support activities



People who are best at Management Support activities have been developed for this role within the organisation

FIGURE 3.5: Need for broader experience in those who undertake management support activities



All people should have experience in the Accounting Operations & Internal Financial Reporting area even if they move on to mainly work in other areas of finance work

- 78.0% also believe that secondment to different parts of the business is key.
- 77.8% see training focused on skills as an important way to develop management support.

Internal development is rated advantageous – 65.2% of respondents agree that those finance people best at management support have been developed internally.

This possibly reflects the inherent business-orientation of the management support role, making it essential that the finance professional has a deep understanding of their organisation's business and its environment to best support decision making.

The survey asked whether all finance professionals should have experience in the accounting operations area regardless of their ultimate work (Figure 3.5).

This was supported by the vast majority, just under three-quarters of the sample. This trend is often reinforced by our consultations where senior finance management see the need for all finance to understand and work in the operational and transactional areas to provide a rounded perspective. The thinking seems to be that business partners cannot be as effective in the insight and decision support they provide if they do not understand where the numbers have come from and how the end to end processes work.

Summary and recommendations

There are some key conclusions and actions that may be drawn from the analysis above:

- Learning through doing and knowledge sharing are the most useful development activities yet are among the activities that are least often applied and used, cost and time being cited as the primary barriers. The real return on investment is being missed by the many organisations that choose simpler traditional activities and avoid those that are most useful and provide most return. Real value may be missed, and in the long term this approach in fact can become more expensive and time-consuming, and brings less value to the organisation or individual.
- Professionals highly value their professional finance qualification but sometimes this is the training and development area that is least supported by organisations. A large proportion of organisations choose to recruit the talent and skill set rather than develop and train from within. As skill set requirements shift, organisations need to ensure that they have adequate plans to upskill existing staff.
- More time is allowed in principle for training than is actually experienced in practice, suggesting that the planning and execution of the organisation's training and development strategy create problems. This means that the strategy is not always carried through in full. Constant monitoring, review and engagement are recommended.
- The research points to cost considerations and time restraints as key drivers of the perceived gaps in training support. There are also possible limitations on the ability to communicate and cascade the availability and support of training opportunities throughout the organisation. Some employees are simply not aware of the opportunities their employer has available. Employers need to work harder and better at this dissemination.
- There is a perception that not all finance people are suited to, or want to work in, management support or business partnering roles. This may suggest that organisations need to work to identify the staff with the right characteristics and motivations for this role and focus on their development to gain the right mix of technical and business competencies we have seen in the previous section.
- Internal training is deemed the most effective for development of people in partnering or management support roles. This type of training enables specific transfer of knowledge and skills on the organisation's products and services, sector, competition and so on.
- Individuals need to take responsibility for their own development. During our consultations senior finance management clearly see the need for individuals to be proactive, to make time for training and to be the drivers in the planning and implementation of activities for their development.
- Our consultations point to the need for the CFO and also the CEO to engage with and drive the training and development strategy, focusing on organisational and individual needs and using the whole mix of training and development tools to ensure full return on investment and to drive the function in providing value.

TALKING HEAD
BILL SCHNEIDER, DIRECTOR OF ACCOUNTING, AT&T SERVICES INC

William 'Bill' Schneider is Director of Accounting at AT&T and a member of the AICPA Board of Directors. Bill's responsibilities at AT&T include Corporate Accounting Policy, Executive Compensation Accounting and Benefits Finance Support. Bill has served on the AICPA Council since 2006, currently serves on the COSO Internal Control Integrated Framework Advisory Committee and will begin serving a three year term on the International Federation of Accountants Professional Accountants in Business Committee in 2012.

"When the question of whether true business partnering through finance can be achieved is raised, I would like to give an unequivocal yes, however for me I think the real answer depends on the organisation or even the part of an organisation you work for.

Different organisations are at different places in the maturity of their financial process. So where the organisation's or sub-unit's focus is on transaction processing and compliance, the focus is still very much on cost reduction.

Other organisations have moved beyond the compliance focus and are seeking input from all hands, including finance, on how to grow. Growth requires choices and capital and finance is very well positioned to help in both of these areas.

"Thinking about how competitors will react to a new initiative or about how customers may use a product or service in addition to the way it is being sold doesn't necessarily have anything to do with traditional finance skills, but are critical skills for a business partner."

It is fair to say that this partnering goes on everyday at AT&T. True partnering involves several aspects of finance, but also requires finance to understand the underlying operations, assumptions and risks.

For example, although the standard setters may believe leasing is simply a buy versus lease financing decision, it often has many more elements to the decision process. For example, leasing can help limit the risks (and benefits) of launching a new product or service by limiting the committed capital. So understanding the business and its risks is critical to choosing the right options.

Of course there is the issue of whether finance can ever be seen as a true partner by its business 'customers' without shared accountability. I think accountability is an issue, but you have to be careful with broad brush solutions. I would not want some finance compliance functions – external reporting or internal audit for example – to have shared accountability because that would raise the risk of the process being subverted. On the other hand, I think it is important for other groups in finance to have shared accountability with the operations groups they support.

And that raises the issue of the skill sets that our finance people have, and whether future finance business partners will be finance-trained professionals or people from other areas (whether that be from marketing/sales etc) with financial skills or training.

For me the answer is that both will find a place in the finance department of the future. I have met plenty of finance trained professionals who have developed wonderful management and soft skills and I know some people from other areas who have learned the finance skills over time. I think organisations that have a mix of these people may be in the best position to help their organisation succeed.

The key skills and competencies we require of our finance teams in these management support roles is the ability to think strategically, as well as the ability to determine, understand and communicate risks. Risk assessment can be difficult and also energising. Thinking about how competitors will react to a new initiative or about how customers may use a product or service in addition to the way it is being sold doesn't necessarily have anything to do with traditional finance skills, but are critical skills for a business partner.

At the same time, technical accounting skills will always be necessary, but they will not be the key differentiator in the future. For me, a successful finance employee must have a solid foundation in accounting, and many of those people exist. The question they will have to ask themselves is 'what else can I deliver in addition to those base skills?'

This is all part of the general change we are seeing, and it is true that people training in finance have different motivations than ten years ago and they will have different ones ten years from now. Students in the US recognise accounting as a great place to start a career. Accounting is a common denominator across all businesses; it provides a base from which to launch a career in hundreds of directions.

"Those training in finance today increasingly see finance as a great base for whatever career they choose, rather than a fixed career direction for the rest of their life."

And one of the side benefits of that is that it allows for flexibility of careers over a 50 year time frame. Those training in finance today increasingly see finance as a great base for whatever career they choose, rather than a fixed career direction for the rest of their life.

There will always be a need and place for those who want a 'traditional' transaction and compliance career in finance. Whether outsourced or handled inside the business this work, while changing, will not simply disappear.

On the other hand, I believe the finance department and its leadership will spend less time dealing with these traditional issues. Increased time and focus will be spent on growth and the business partner aspects of finance function. I've seen this trend growing for the last two decades and I expect it will continue to accelerate in the future."

4. RECRUITMENT AND RETENTION OF FINANCE PROFESSIONALS

The evolutionary but fundamental nature of the changes we have seen at play in finance would suggest that how finance personnel are recruited and retained would be greatly affected. In this final section therefore we shall look at issues surrounding recruitment of the next generation of finance professionals and, as importantly, at how to retain the best of the current generation.

Recruitment criteria: issues and preferences

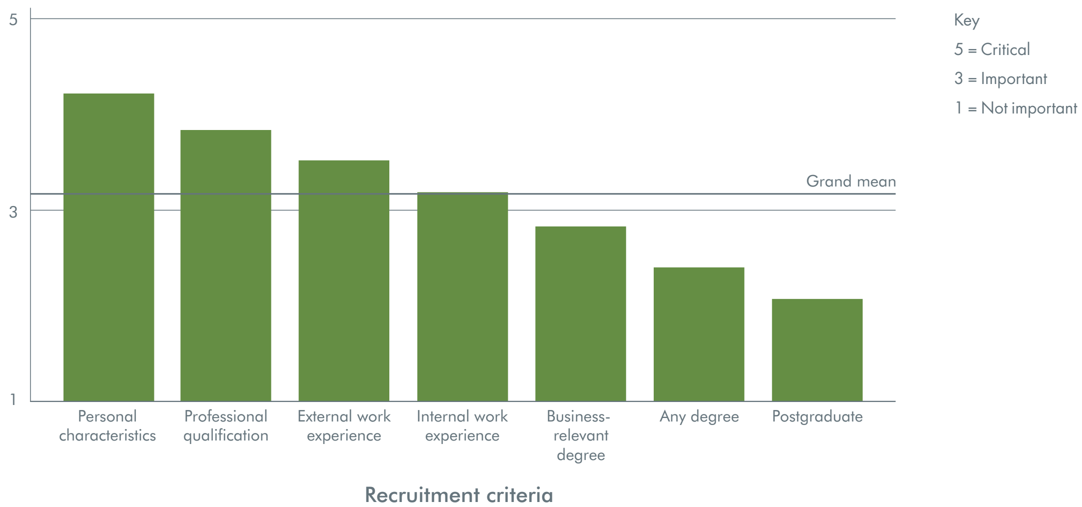
When an individual is recruited into the finance organisation it is a fair assumption that the organisation is looking for the highest calibre candidate it can obtain – someone for whom the long-term plan, all other things being equal, is for them is to take up a senior position in the future. Especially where the finance function is looking to take on the management support and business partnering role, the focus is put on the recruitment of someone with leadership potential, whether this role will be in the finance function or in the wider business.

Selection criteria are usually used to help assess the calibre of potential employees. Seven relevant criteria were rated and ranked as to how critical they are when identifying potential employees and leaders of the future (Figure 4.1).

All criteria were rated as important or critical in the recruitment decision. It is clear that the individual's personal characteristics rather than their experience or education dominate. This does not mean that personal characteristics alone are sufficient to merit recruitment: the most attractive of potential recruits in terms of their intelligence, compatibility with other personnel etc. would still not be suitable without some relevant experience or education.

Possession of a professional finance qualification is more important than work experience, university degrees or masters degrees as a criterion for selection. This trend continues to be highlighted here, though it must be noted that the respondents were primarily finance professionals.

FIGURE 4.1: Importance of recruitment criteria



What is interesting is the apparent gap between this clear preference for a professional qualification and the trends we saw back in Section 3. Here we reported that non-senior finance professionals rate external education, such as professional qualifications, as being the most useful training and development method but report it as being the least widely experienced in practice. This would indicate employers having a preference for recruiting already qualified staff and therefore limiting the need to make support available for such qualifications and training in post.

Furthermore it is worth noting that of the organisations which claim they do not provide support for training and development, over 30%, give the rationale that they already recruit professionally qualified finance people – supporting the importance of professional qualification at recruitment time.

This suggests that these organisations do so with the view that little or no further development or training is required. We already know that the needs of organisations and the demands and changes on the finance function affect the skills and competencies that finance staff require. The implication is that relying only on recruiting in technical talent is a risky approach.

Work experience gained outside the organisation is preferred to that obtained within it. Internally gained experience might be perceived as making the individual better suited to progress within that organisation since they are aware of institutional routines, organisational culture etc. However, here there is a perceived advantage to importing and buying in skills into the organisation since the external recruit embodies the lessons gained from experience in other organisations.

We have already seen in Section 3 that there is a perception that finance people that work best in management support roles have been developed internally, thus getting a better understanding of their organisation's products and services and environment. As such, organisations are wise to consider a mix of approaches, and specifically for this type of collaborative support role.

Personal characteristics, experience and professional qualification are all more important in recruiting future leaders than all university education, presumably because they are more directly relevant to the potential contribution the individual can make in the business.

Consultations show us that the ability to train undergraduates in a professional qualification is the key factor here. Post-graduates such as MBA holders, it appears, are less likely to have the technical skills required and may also be less likely to continue to study for the professional qualification in finance that organisations may actually need.

Recruitment preferences – a global view

An organisation's geographical location has often been assumed to make a difference in terms of how recruitment criteria are rated and thus on how career paths for finance professionals vary around the world. For instance there has long been a perception of a continental European tradition whereby individuals enter companies direct from education and receive training in accounting and finance from the employer, contrasting with the professional qualification route favoured in Anglo-Saxon countries.

While we might expect these traditions to lead to different preferences in respect of professional qualification depending on location, in fact this does not appear to be the case (Figure 4.2). Instead there is remarkable consistency around the world, with the only significant differences in ranking being:

- In the EU and Asia, where post-graduate degrees are rated more highly than first degrees.
- In North America, where external work experience is rated more highly than a professional qualification.
- In the UK, where business-relevant degrees are rated lower than non-relevant degrees
- In Australasia, where internal work experience is rated lower than a business-relevant degree.

A professional qualification at the point of recruitment is rated as between important and critical by organisations in all countries except Japan, where it is seen as either not important or not relevant (Figure 4.2). The next lowest ranking for a professional qualification is in the US. This is backed up by finance professionals themselves; a clear majority feels that a professional qualification is essential to their role in all countries except Japan and the US.

Japan does not seem to have a history or background in specialist professional education.

In the US finance qualification seems to be acknowledged to be more focused on the accountant in practice with a strong tax and audit coverage, so it may be seen as less useful for finance professionals in business. The strong requirement here for work experience seems to indicate that relevant work experience in business is very important. This could highlight the benefits and value the Chartered Global Management Accountant brings to an organisation – with their experience in business coupled with the professional qualification providing the technical competency.

Overall, however, finance professionals with specialist finance/accounting duties and also those in senior finance positions rate a professional qualification as being more critical than do those in more general roles and in more junior positions.

FIGURE 4.2: Importance of recruitment criteria across regions

Thus when planning to recruit someone who is expected to attain a senior position as a future leader, or who will continue in a specialist role, personal characteristics and a professional qualification are the top criteria that help an organisation to distinguish the best candidate. Individuals that can demonstrate these two criteria, and have relevant work experience in business, are best placed to succeed.

The value of professional qualification

We have already seen that the professional finance qualification is widely viewed as valuable to the finance person.

- 68.4% of finance professionals confirmed that a professional finance qualification is essential to be able to undertake their job.
- 61% of senior non-finance management also view a professional qualification as essential for the senior finance roles in their organisations.

But the main issues we now explore are precisely what this value derives from, using the different perspectives:

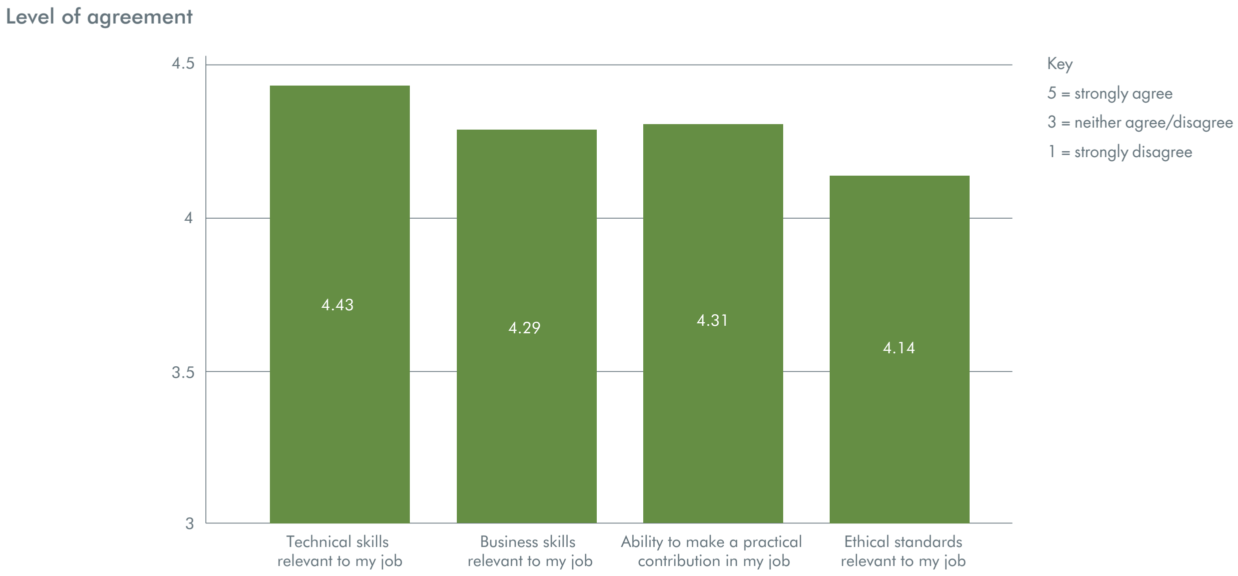
- What benefits the finance professional sees as being gained by qualifying.
- What the perceptions of the qualified finance professional are both from the view of finance professionals themselves and from that of non-finance personnel.

Benefits of qualification

According to finance personnel, the training for qualification imparts a range of benefits. In each case all rated on average as showing strong agreement.

- The highest level of agreement is that it imparts technical skills.
- Followed by providing the ability to make an important contribution.
- It also provides business skills relevant to their job.
- The lowest that it instils relevant ethical standards, still with high agreement.

FIGURE 4.3: Benefits of training for qualification



Perceptions of qualification benefits

When the views of finance personnel as to what other people perceive about qualified finance professionals (green bars) are compared with the views of non-finance personnel (blue bars) it is apparent that the ordering of items is similar, but on average finance professionals rate them higher. (Figure 4.4)

While there was general agreement of the benefits rated on the whole, professionals' expectations as to the benefits perceived by others overstate those perceptions.

The strongest level of agreement is as regards technical competence and the lowest that qualified professionals can be relied on to be objective for both groups.

The comparative overstatement of expected benefits by finance professionals is unsurprising and not necessarily a matter of concern where non-finance personnel are on average at least in agreement.

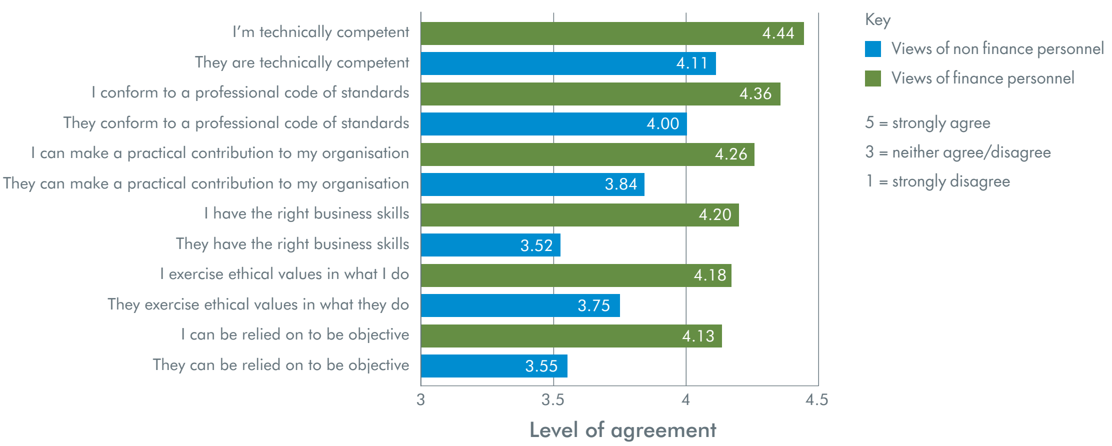
However, there are clearly some issues to address in some concrete cases. On the basis of the evidence here, this means that attention may be particularly directed towards the following areas where non-finance personnel do not on the whole see as much the value of qualification:

- business skills
- ability to make a practical contribution
- objectivity and ethical values.

We have already seen the need for developing business and commercial skills to be able to better support the business and for leadership. This is already understood and an area identified for action by many finance professionals. We have also discussed the support for finance to add to value creation via closer collaboration and management support. Those commercial and business skills will in turn raise the awareness of finance making a practical contribution as more focus in on the value add. This may go some way to understanding the discrepancy between finance and its customers on the business skills that they bring, it is where the demand is and more work and development seems to be needed.

In terms of independence and objectivity, CIMA's paper '*Fact or Fiction; the independent business partner,*' published in April 2011, deals with this issue. The paper suggests that there is a need to protect and reinforce the finance role in bringing an objective and independent perspective to the units that finance supports. This would point to a call to action for those in finance – to work to get a better appreciation and understanding of what the benefits are. While also focusing on how the function can challenge and bring objectivity with their non-finance colleagues. To better communicate so as to help engender 'trust' more effectively.

FIGURE 4.4: Perception of the benefits of qualification



Qualification for management support

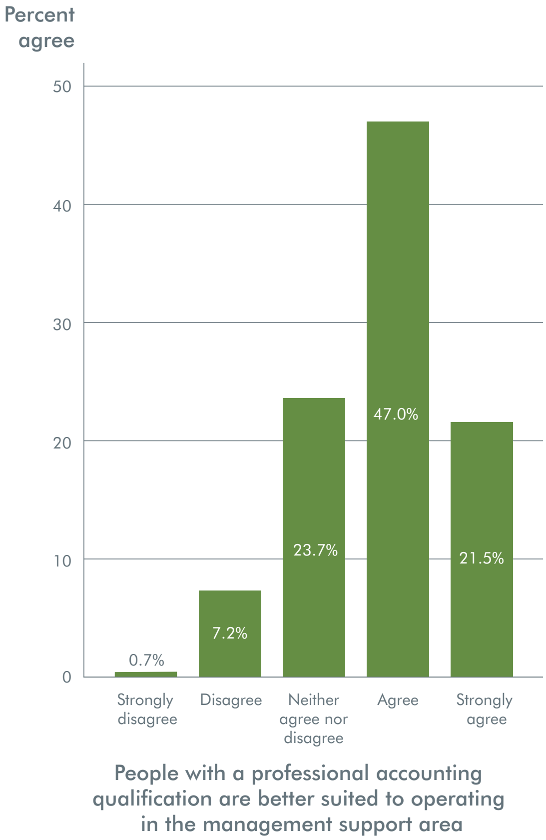
A further question on suitability for management support work arises from professional qualification. Here the results are equally clear:

- 68.5% see the possession of a professional finance qualification as better suiting them to this type of work (Figure 4.5).

The data shows majority support for qualified finance professionals being the most suitable to deliver this support service as rated by both finance professionals and senior management in non finance roles. This is felt to be the case in terms of it being easier or less costly to develop them rather than others:

- 57.4% believe finance professionals are better suited when compared to non-specialists, such as engineers.
- 53.5% when they are compared to general managers with a business education, such as MBAs.
- In both cases only about 11% of respondents disagree that finance professionals are better suited.

FIGURE 4.5: Professional qualification and suitability for management support activities



Although the majority thus believes that finance professionals are better suited to providing management support from a finance base, the sample is dominated by finance professionals and there may be some bias in their views ie favouring people more like themselves rather than non-finance professionals.

As such, with the development of the right technical skills (as highlighted in previous sections), others could also enter and be successful in the management support or finance business partner role.

Personal incentives for competency in management support activities

Although respondents to our surveys generally see the need to increase their time spent on management support activities to advance their careers, ie to satisfy organisational demands and achieve a more satisfying work mix, the question remains as to whether undertaking such activities is rewarded.

The evidence here is that this is generally seen as the case and that individuals active in the management support, business facing roles are more valued for this type of work:

- 67.1% agree that those who undertake management support activities are better remunerated.
- 66.8% that they are promoted faster.
- 53.3% that they are more difficult to retain.

Furthermore, there is evidence supporting the notion that those at higher remuneration levels tend to spend more of their time engaged in management support activities at the expense of time in accounting operations services. This is the case in all main countries examined in our survey.

Remuneration by finance activity

We see that those professionals at higher remuneration levels tend to spend more time on management support activities than their peers regardless of the number of years of experience or indeed seniority.

We can clearly see this relationship in the UK and US where higher salary levels are seen as more time is spent on management support activities (Figure 4.6 across page 45-46).

The graphs also clearly demonstrate a decrease in time spent on accounting operations and internal reporting as finance personnel move up the remuneration scale and earn more. The positive relation demonstrates an incentive for certain finance professionals that are motivated in this area, reinforcing the earlier finding that these roles are also perceived as a good way to progress in the respondent's organisation.

Having established that the relation is not merely a perception it may also be concluded that organisations find these collaborative and management support activities valuable thus justifying higher rates of payment to those who perform management support.

Develop versus recruit for management support

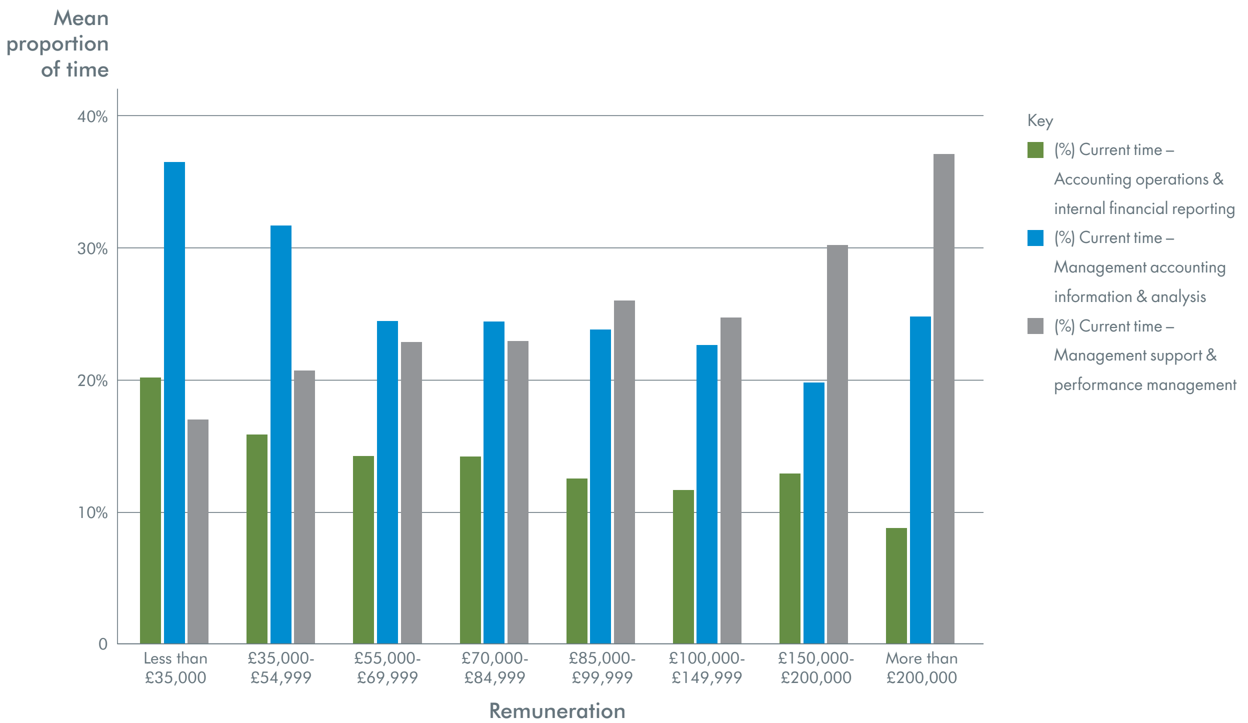
We established earlier that when finance undertakes management support or business partnering activities there is value to the organisation and also for the individual. The next question is whether it is better to recruit individuals with such competence or develop them internally.

The stronger feeling is that internal development for this role is preferable:

- 63.3% agree that those who are good at management support activities have been developed for this role.
- Only 37.7% agree that recruiting such personnel is easier than internal development.

Our consultations indicate that the successful individuals working in these collaborative support roles have a good understanding of the sector, products and services of the organisation gained from internal development. This organisation and sector knowledge, coupled with their technical finance expertise, allowing them to better support decision making and focus on the organisation's plans and strategies.

FIGURE 4.6: Time on certain activities by remuneration level - UK



A corollary issue when considering the targeting of resources towards development in the management support area is whether finance professionals should be seen as the only group capable of delivering this service.

The recruitment landscape

Moves towards the business partner role place a strain on the timing of recruitment in organisations, probably because a wider search is needed for candidates who possess both the technical and business competencies demanded by the role.

Senior finance personnel reported that in it can take longer to recruit the right people into finance roles, with many reporting that it could take more than 50% longer.

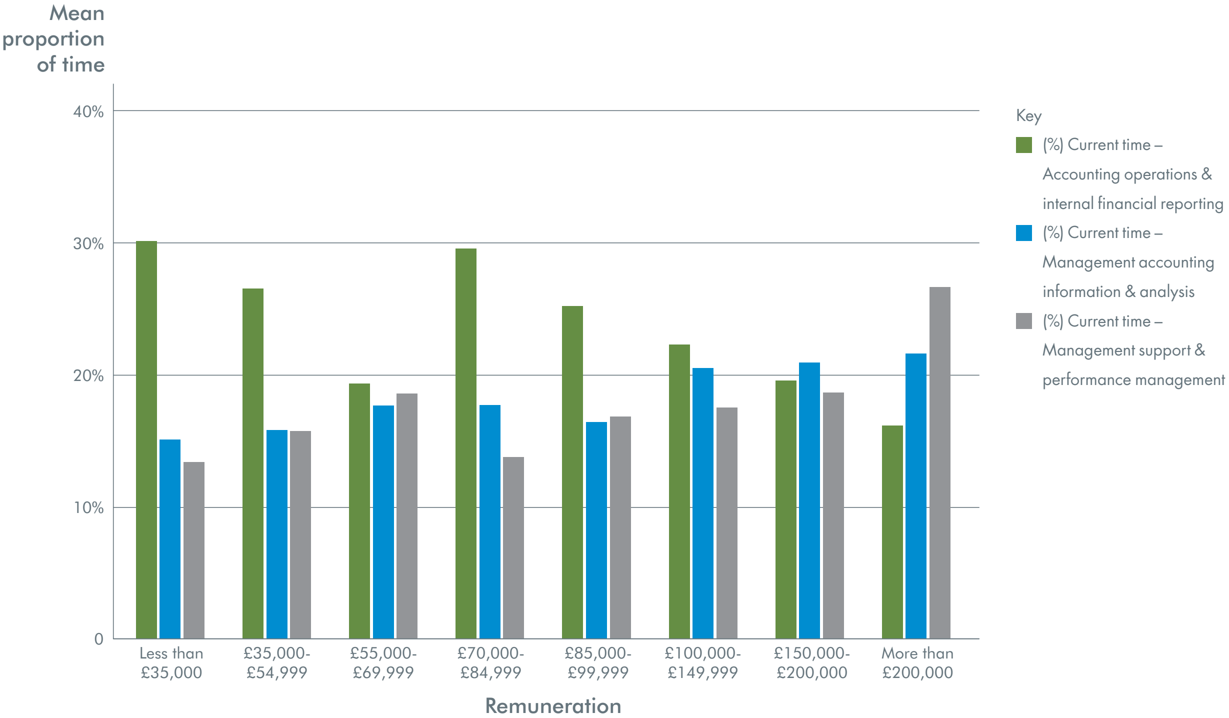
There may be a short-term respite in the recruitment battle in the current economic crisis, but the search for the best talent remains tough where a combination of skills and competencies are required. Our interviews and consultations refer to finance professionals with the technical background plus commercial and negotiation skills still being a scarce resource.

Recruitment was also becoming more difficult in that it sometimes required greater effort and even compromises, including:

- Employing candidates with the right technical competency but who needed training in business competency.
- Employing candidates with the right business competency but who needed training in technical competency.
- Widening the search for talent to international markets.

Of these three types of compromise, the one that organisations were most likely to make was to recruit an individual with the appropriate technical competency but with a shortfall in their business competency. Thus when faced with the necessity of compromising, technical expertise wins. In recruitment, technical competency clearly takes precedence over business competency despite the fact that organisations rate business competency highly, as we have discussed.

FIGURE 4.6: Time on certain activities by remuneration level - US



We can summarise, therefore, that of the criteria used for rating recruits the 'financially oriented MBA' is not being favoured, based on the responses from a majority of finance professionals. The business partnering model is not forcing or incentivising organisations to recruit business managers with some financial competency rather than finance professionals with business competency.

It certainly seems that a proportion of finance people are not fully equipped with the business skill set that organisations are seeking when looking to fill certain finance posts. For many recruiting externally is preferred, however the preferred strategy for the management support role overall seems to be to develop them in the role. Thus exposing them to more commercial and business situations and hence developing the management and softer skills.

It appears that individuals who wish to enter finance need to equip themselves with a professional finance education. It is clear that finance qualifications which also equip them with business management skills help them to excel within finance. Furthermore, both new recruits and those already in finance who want to progress into senior roles should invest in getting exposure to business and commercial experience and training to improve their skill sets.

Retention challenges

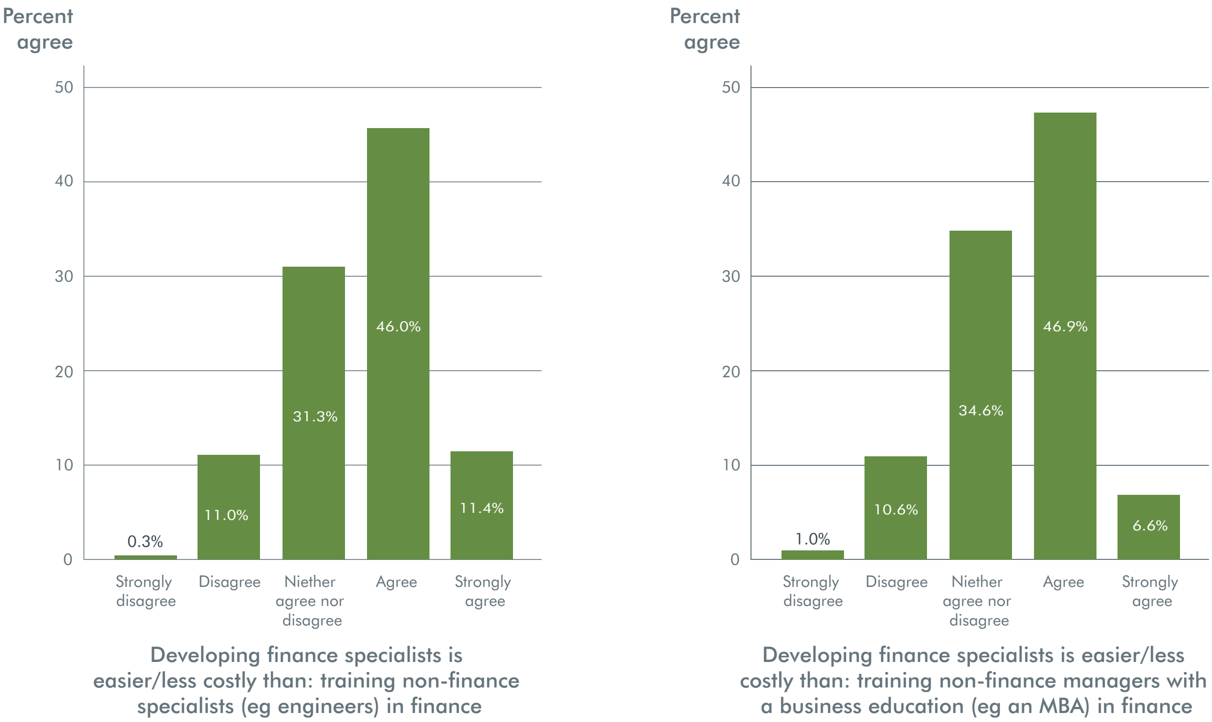
Given the relative importance of people who are both business and technically competent, and the difficulty in recruiting these professionals, retention strategies will become ever more crucial in the war for talent.

With the ongoing transformation in the role of the finance function towards business partnering, and the ever-increasing emphasis on both business and technical competency, it would perhaps not be surprising if finance professionals in mid-career felt that they had been somewhat 'left behind' because of a lack of exposure to business situations or appropriate training and development, and a lack of will on the part of organisations to retain them.

FIGURE 4.7: Alternatives to developing finance professionals

Panel A - non-finance specialists

Panel B - business managers



Reasons why otherwise highly-valued finance personnel might leave an organisation could be as follows:

- perceived lack of scope for promotion
- desire to work in another country
- career change
- perceived lack of training and development opportunities
- personal/family reasons
- offer of a salary increase elsewhere
- other.

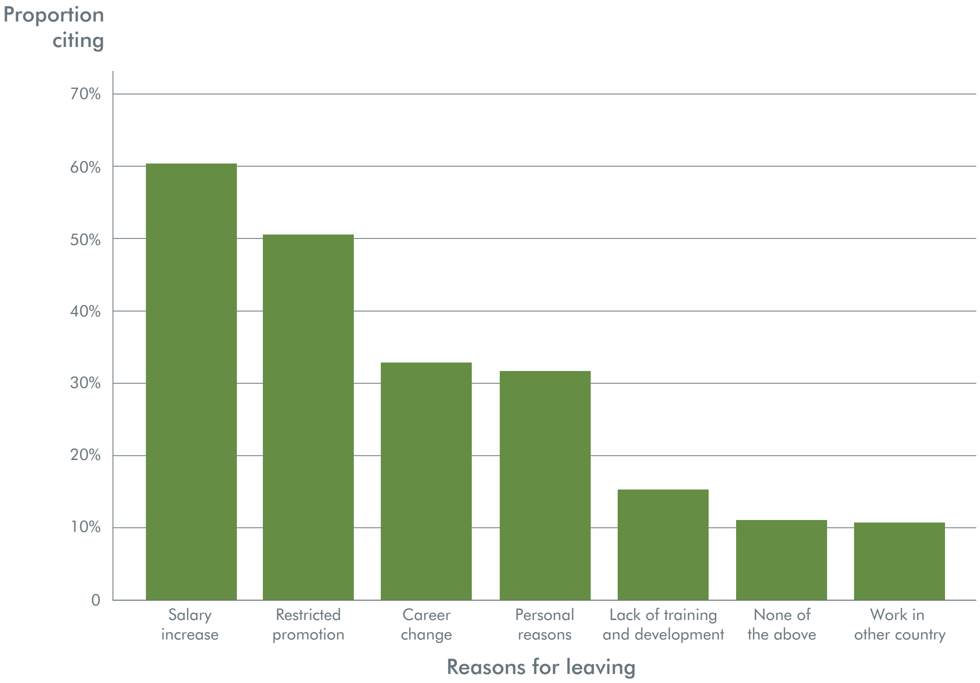
A perceived lack of training and development opportunities was only selected by a minority (18%) of respondents as a common reason why valued staff members leave their organisation. Yet, personal advancement in terms of salary increase (60%) and promotion (50%) were selected as the main reasons. So training and development opportunities per se may be less important in retaining staff than their prospects for career progression.

Career change is the third most frequent motivation for high calibre finance professionals to move on, and this factor is particularly pronounced in Japan and the rest of Asia, an area where we have seen training and development support is weaker. This could point to a certain stagnation in the finance professional's progression, thus prompting a change in direction.

It appears therefore that training and development problems are not currently a significant issue in terms of retention of good staff. In part this is because organisations, medium and large ones in particular, have a relatively good track record of using appropriate retention strategies – beyond simply raising salaries to match external offers – including:

- personal development planning
- formal talent management, for example structured training programmes
- employee engagement initiatives such as flexible working
- exit management strategies, for instance interviews/surveys of leavers.

FIGURE 4.8: Reasons for leaving the organisation



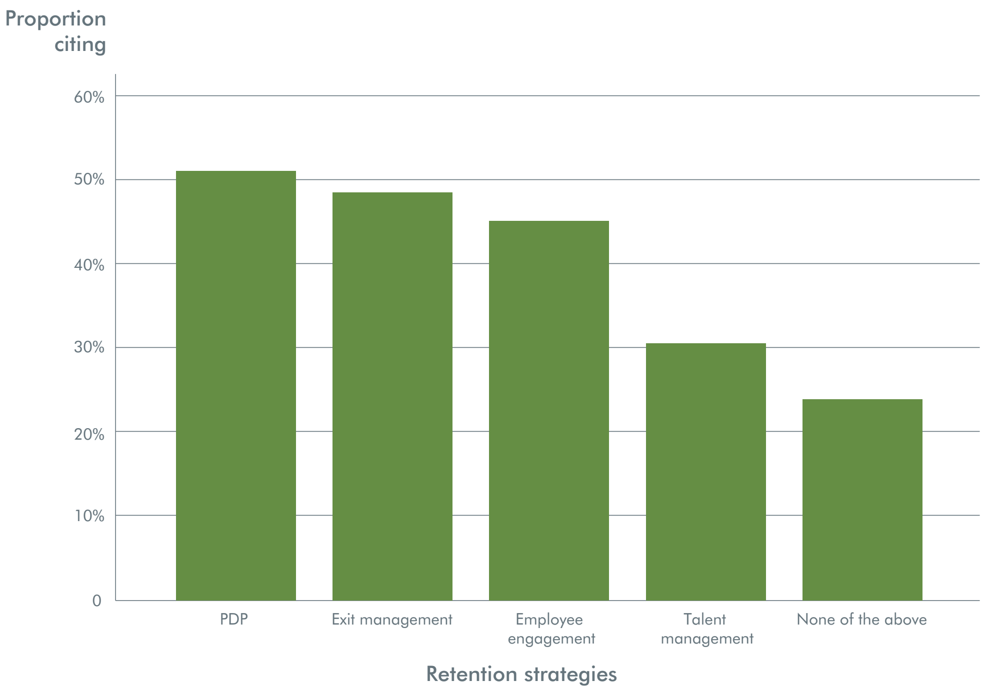
Personal development planning (PDP) is the most popular retention strategy in all sectors while formal talent management is relatively infrequently employed (Figure 4.9). However, none of the strategies is used by a majority of organisations. Formal talent management is used by only 30% and alarmingly 25% of organisations have no retention strategies at all, an area for immediate action.

Thus finance professionals generally do not appear to be so dissatisfied with their opportunities for personal career development that they leave their organisations.

We have seen in previous sections the changing need of organisations for a mix of technical and business skills, and we have also noted through our consultations the scarcity of people with this balance of skills and/or experience. This points to a proportion of existing finance people that do not have the required mix, in particular the business skills that will be more and more in demand.

There is a risk that without personal will and the support of the organisation, through training and exposure to business situations, these individuals will become less fit for purpose. Recruitment and retention will in fact become even more difficult for both employers and finance professionals themselves.

FIGURE 4.9: Employee retention strategies



Summary and recommendations

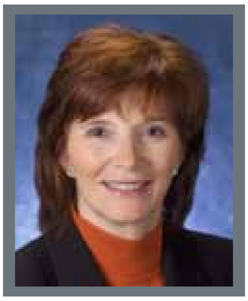
Possible actions to note from the research and consultations for organisations:

- To aid in candidate selection, when planning to recruit someone expected to go on to a senior position or who will continue in specialist roles, personal characteristics and a professional qualification are the top criteria to look for, followed by quality of work experience.
- As for which qualification should be sought, while there is a preference for professional training in finance there is no clear preference for any particular professional qualification from our global survey. However our consultations point to audit-based ones for finance and regulatory roles and the CIMA qualification being preferred for the management accounting and strategic and advisory roles.
- Post graduates, such as MBA holders, may be perceived to be less likely to have the technical skills required and may be less likely to continue to study for the finance professional qualification that many organisations seem to require.
- Candidates and existing staff with a balance of technical and business competency are still a rare resource, so organisations need to ensure that staff with a mix of these skills and experience are identified and engaged. It is recommended that retention strategies for this group are applied. In particular, organisations should focus on competitive salary levels, provision of opportunities for career development, and training and development.

For individuals working in finance, or wishing to get into finance, this area of research is consistent and supports the actions that we have seen throughout the report, namely:

- Choosing a professional qualification in line with your aspirations is a good place to start. Those looking at the financial roles and at specialist finance/accounting duties could consider any of the professional finance qualifications including the audit-based qualifications; for those wishing to follow the strategic and advisory and management accounting roles the CIMA qualification and the CGMA designation may be better suited.
- We see that experience is also important, as is continuous development. For those with ambitions of leadership within their career plan it is vital to gain further skills, in particular business and commercial ones. The skills within the strategic and advisory and the management accounting roles are more aligned with those needed for seniority and leadership, so such roles should be carefully considered.
- To remain fit for purpose in the wave of finance transformation, those qualified and working in finance – regardless of their role – need to take proactive steps in ensuring that technical skills are maintained while focusing on development of 'softer' business competencies. This is essential if they are to have a competitive edge at the point of promotion and new job selection.

TALKING HEAD
ANNE LLOYD, EXECUTIVE VICE PRESIDENT, CFO AND TREASURER, MARTIN MARIETTA MATERIALS



Anne H. Lloyd has served as CFO of Martin Marietta Materials since June 2005 and was elected Treasurer in March 2006. Ms. Lloyd joined Martin Marietta Materials in 1998 as Vice President and Controller and was promoted to Chief Accounting Officer in 1999. Before joining Martin Marietta Materials, she was with Ernst & Young, LLP. Ms. Lloyd is a graduate of the University of North Carolina at Chapel Hill. She holds a Bachelor of Science degree in Business Administration and is a Certified Public Accountant.

"Finance professionals are often viewed as historians, because we capture what's happened as opposed to helping strategise for the future. However, we are working our way towards a more value added approach.

I have seen that strategic element become more and more important recently, but at the same time, in somewhat of a perverted way. The depressed economy here in the United States and for the construction materials sector in particular, has placed a new value on traditional CFO and accounting skills. The focus on how to do more with less and pull out costs by identifying inefficiencies in processes is paramount.

Before the recession we were beginning to make a connection with operations' staff and were seen as a valued partner at the table, listening to the financial concerns, helping non-finance departments' understanding of the financial implications of the decisions that were going to make.

As we moved into the recession, the operations folks were asking for our support saying: 'Help me figure out how to cut my costs. How do I save money here?' And we have been hard at work for almost four years, using those old tried and true skills to reinforce that partnership.

So now, what I am looking forward to, as the economy recovers, is the trust-based relationship getting magnified and strengthened as we move up the business cycle and begin to move away from the more traditional skills of accounting and reporting and controlling to using strategic and analytical skills. For me, I think it is going to serve as a springboard for an even stronger relationship as the economy recovers.

In hindsight, the last few years have been an interruption, and perhaps even a validation of the value proposition. These are skills that finance can bring to their operating partners who are charged with reducing their costs in innovative ways.

"What I am looking forward to, as the economy recovers, is the trust-based relationship getting magnified and strengthened as we move up the business cycle."

And the only way that the relationship between finance and its partners will strengthen is through people, and ultimately what we are trying to do is make our finance team members fully rounded professionals with a holistic approach.

The ideal finance person, to us, will have done a stint in the control or the audit side of the business; they will have done a stint through the varying functions in finance, whether it be tax or inventory management or cash management. Furthermore, they will have also been involved in operational work and by that I mean being out in the field, being a part of a team.

Our motto here is that we are overhead, we don't generate direct revenue, and so without the revenue generators we simply would not have a job. I think that really crystallises when finance professionals are out in the trenches, working with people, realising how difficult it is to get and maintain a customer and keep them satisfied.

Where do we find those good people? Well, we make the assumption from a financial perspective that if staff have mastered their course of study through college and taken the CPA exam and have a professional certification, then they are technically qualified. That is a given. We are not going to test this, but it will be proven pretty quickly whether they are technically competent or not.

After that, we will identify what we call 'high performing professionals' – probably less than 20% of our finance staff. These are individuals who we consider to be capable of moving at least two levels up in our organisation over a five to ten-year period. Our approach is to start very intentionally working with them on both the hard and, as, if not more importantly, the soft skills.

As part of their development, they will go through a rotation programme and they will do placements in various parts of finance – we have them go into purchasing, in capital and out in the field. And if there is a particular avenue these individuals want to explore, we will work to try to get them into that area by supporting their development.

The other tool we use that we have found particularly relevant, although it can be a very bruising process, is a 360° feedback review. We conduct them internally with our own training staff, but we also use external expertise, where we will send people to varying programmes depending on the requirements for development.

Essentially you allow yourself to be psychologically assessed, number one, but then also you have your superiors, your subordinates and your peers analyse your performance. And then you go to an individual site with a trained professional to help you understand not only how you perceive yourself, but how others perceive you and how blind spots or misperceptions can be a roadblock to your success.

I have gone through this process myself three different times and it is the most excruciating process I have ever been through. You essentially get stripped bare and built back up. What high performers get is an appreciation of the fact that their point of view may be different from someone else's, but both parties more than likely have the same positive goal in mind for the organisation as a whole.

It is a tough process, but we believe that steel is made stronger by the fact that it is melted and re-hardened over and over again.

The development support and moulding that we provide to our people, and the rotation programme that we try to put them through, is an essential recruitment and retention tool. We want them to find them a place where they get the challenge that they are looking for. This is particularly important to aid in the retention of our high performers and have them stick with us until we get back to the upside in the economy."

OTHER REFERENCES

More information on the CIMA Centre of Excellence outputs on finance transformation, including the reports below, from CIMA's website: **www.cimaglobal.com/transformation**

- Finance and organisational performance: Shaping the future
- From efficiency to effectiveness: Transforming the finance delivery mix
- From ledgers to leadership: A journey through the finance function
- Fact or fiction? The independent business partner
- Finance transformation: The evolution to value creation
- Improving Decision making: The opportunity to reinvent business partners
- Finance transformation: What about SMEs?

This paper is an update on CIMA's report *From ledgers to leadership; a journey through the finance function* published in 2010. It is based on global research carried out by the CIMA Centre of Excellence at the University of Bath School of Management. It includes analysis based on substantial global data obtained from two web-based surveys over the period 2008-2010 with a total of more than 7,000 responses. This data provides an invaluable, objective view of the nature of the finance function in today's organisations, the path it has taken over a decade of change – and its likely future trajectory.

Consultation and further context provided for this paper is supported by the AICPA and via the participation of the senior global finance community. This has been sourced through interviews, senior roundtables and through the feedback from CIMA's Global Finance Transformation Panel.

Our thanks to the finance and management professionals who participated and engaged in this work throughout 2010 and 2011.

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