

Preparing Finance Staff for the Future

A report prepared by CFO Research Services in collaboration with ACS

Preparing Finance Staff for the Future

A report prepared by CFO Research Services in collaboration with ACS

CFO Research Services and ACS Learning Services (a division of Affiliated Computer Services, Inc.) developed the hypotheses for this research jointly. ACS funded the research and publication of our findings. We would like to acknowledge Bob Blondin, Tom Kupetis, Tony D'Agostino, and Chip Newton at ACS for their contributions and support.

At CFO Research Services, Celina Rogers directed the research and wrote the report.

Preparing Finance Staff for the Future is published by CFO Publishing Corp., 253 Summer Street, Boston, MA 02210. Please direct inquiries to Kate Britt at (617) 345-9700, ext. 264 or katebritt@cfo.com.

CFO Research Services is the sponsored research group within CFO Publishing Corporation, which produces CFO magazine in the United States, Europe, Asia, and China. CFO Publishing is part of The Economist Group.

November 2007

Copyright © 2007 CFO Publishing Corp., which is solely responsible for its content. All rights reserved. No part of this report may be reproduced, stored in a retrieval system, or transmitted in any form, by any means, without written permission.

Contents

Introduction	2
Top-line findings	3
Current finance training practices: An overview	4
The value of training	8
Conclusion: The way forward	12
Sponsor's perspective	14

Introduction

After working hard to adapt to heightened regulatory scrutiny following a series of major accounting scandals, corporate finance organizations are becoming free to consider how they can continue their long-standing effort to transform finance from a processor and organizer of information to a true business partner and performance leader. In recent studies, CFO Research Services has documented the major barriers to CFOs' efforts to become business performance leaders. One of these barriers—the lack of well-rounded business, technology, and even technical skills among finance employees—has emerged as particularly difficult to overcome.

As companies come under increasing pressure to deliver sustained, profitable growth, creating a nexus between enterprise-level performance, functional-level performance, and individual performance is critical. When individuals lack necessary skills, enterprise performance—as well as functional performance—can suffer.

The connection between individual skills and enterprise performance is clear when it involves technical finance and accounting matters. Inaccurate financial statements or compliance shortfalls swiftly exact a heavy price among investors and other stakeholders. It comes as little surprise, then, that the results of this study show that many finance departments are pursuing formal training in technical finance and accounting matters—and encouragingly, their efforts appear to be bearing fruit.

But the research also shows that finance executives are eager for more training, especially in the high-value finance skills that could help them advance their careers. These skills include forecasting, planning, and analysis, and so-called soft skills, such as leadership, communication, and collaborative problem solving. Senior finance executives who participated in this study clearly recognize the value of formal training for the business, as well as for their individual career development, but they also identify areas where formal finance training programs could be strengthened and improved.

What effect do the gaps that survey respondents identify in finance training have on the business? Even the broadest, enterprise-level plans are executed on the individual level. Individual capabilities, taken in aggregate, constitute the larger enterprise's capabilities. When individual capabilities fall short in areas critical to the company's larger plans and objectives, then those plans and objectives are placed at risk.

This study explores the strengths and weaknesses of finance training as it stands today—not only from the point of view of the enterprise and of the finance function, but also from the point of view of the individuals who work in finance. Their skills, abilities, and motives can constitute a significant competitive advantage—or a significant competitive weakness—for the larger enterprise.

Finance executives recognize the value of formal training, both for personal development and to advance company objectives.

Top-line findings

- While many companies offer formal training to finance staff, companies are more likely to use informal training and other methods for professional development in finance.
- Training programs often emphasize technical accounting skills rather than analytical finance skills; respondents are eager for broad training that encompasses business management, operations, and technology matters.
- Finance executives recognize the value of formal training, both for personal development and to advance company objectives.
- Top priorities for improvement include increased emphasis on leadership skills and building a closer connection between skills and business needs.
- Top barriers to improvement are competing priorities, within finance and in the business at large.

About this report

In September 2007, CFO Research Services (a unit of CFO Publishing Corp.) conducted a survey among senior finance executives in North America to examine their views on professional development programs in finance.

We gathered a total of 178 responses from senior finance executives representing a broad cross-section of company segments and senior finance titles:

Annual revenue

\$100 million-\$500 million	7%
\$500 million-\$1 billion	19%
\$1 billion-\$5 billion	45%
\$5 billion+	29%

Titles

Chief financial officer	23%
EVP or SVP of finance	5%
VP of finance	18%
Director of finance	25%
Controller	15%
Other (including CEO, president, or managing director)	15%

(Note: Percentages may not total 100 percent, due to rounding.)

Seventy-nine percent of respondents told us their companies had at least some formal development programs in finance and went on to answer a questionnaire about those programs. All other respondents told us their companies had no formal training programs in finance; they completed a shorter questionnaire on professional development practices at their companies.

Survey respondents work for companies in nearly every industry. The manufacturing, financial services, and wholesale/retail trade industries are particularly well represented.

Current finance training practices: An overview

It's no secret that finance professionals are pressed for time. Companies are under intense pressure to improve performance, and to sustain those improvements against a backdrop of regulatory and governance changes that require them to conduct business with ever-increasing transparency. Fresh challenges—such as the recent tightening of the credit markets—are constantly developing in the business environment and in the competitive landscape.

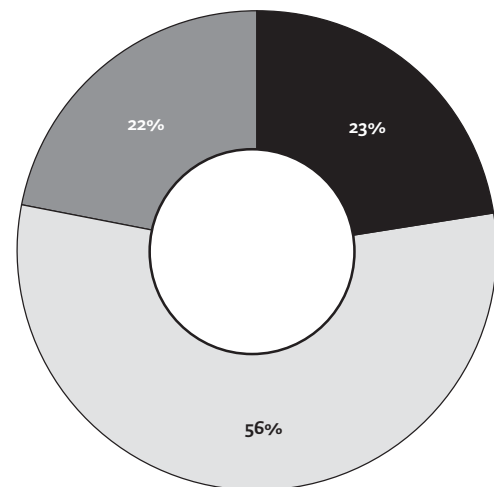
In response to these and other forces, finance has been called upon to serve not just as the company's steward of financial control and regulatory compliance, but also as the steward of business performance, corporate governance, and business information. The work of finance is expanding to meet business needs—and the penalties for underperformance are expanding with it. Indeed, the risks tied to professional performance in finance have even grown to include exposure, in some cases, to personal legal liability. The business media often cites this combination of regulatory and competitive pressure to explain, at least in part, the widely observed scarcity of talented finance professionals.

In light of these challenges, it is probably not surprising that many companies are offering formal professional development programs to finance employees. Most of the respondents to our survey—79 percent—say their companies offer at least some formal professional development programs to finance staff.* (See Figure 1.) This result is particularly unsurprising if we take into account the company sizes represented by the vast majority of respondents: 93 percent of all respondents come from companies with at least \$500 million in annual revenue.

It is somewhat surprising, however, that more than one-fifth of survey respondents (22 percent) say their companies offer no formal professional development programs whatsoever for finance staff. Eighty-six percent of those who don't offer any formal finance training programs are also from companies with more than \$500 million in annual revenue.

> **Figure 1. Most respondents say their companies offer at least some formal professional development programs to finance staff—but 22 percent offer no formal programs at all to finance staff.**

Does your company offer formal professional development programs (such as training, staff rotations, tuition and professional certification reimbursement, etc.) to its finance staff?



- We have many formal professional development programs for finance staff
- We have some formal professional development programs for finance staff
- We have no formal professional development programs for finance staff

Percentage of respondents

(Note: Percentages may not total 100 percent, due to rounding.)

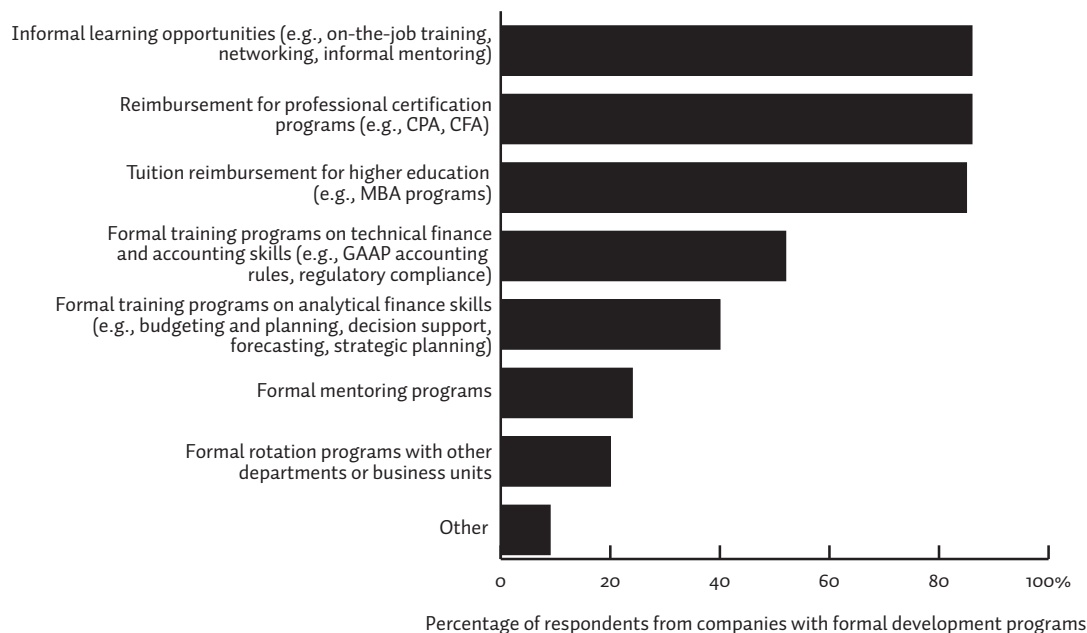
Reliance on informal relationships, rather than formal programs

Even companies that offer formal professional development programs often rely on informal relationships and informal training—and on outside institutions—for professional development in finance. Eighty-six percent of respondents say informal learning opportunities are available at their companies, and nearly the same number say that their companies provide reimbursement for professional certification and tuition reimbursement. (See Figure 2, next page.)

* For the purposes of this study, we defined "formal professional development programs" to include company-sponsored training, staff rotations, and reimbursement for tuition or professional certifications.

> **Figure 2. Companies tend to rely more on informal relationships and outside institutions for professional development in finance.**

Which of the following professional development opportunities are available at your company for finance employees?



Informal training opportunities are, by definition, widely available, since they arise whenever and wherever people gather to work. But informal training is also, by definition, inconsistent. There is no question that the learning that arises through informal relationships—with peers and with mentors—can be tremendously valuable. It's also clear that companies can set the stage for these relationships without managing them closely. For example, when we asked respondents to tell us, in their own words, what works well in the finance training programs at their companies, one respondent—a senior vice president of finance at a large health care company—described just the sort of flexible, open environment that fosters individual development by providing opportunities to form professional relationships. He describes “open discussion on career opportunities and what is needed to move ahead. Changing job duties over time and organizational flexibility to allow progression. Team members are often given opportunities to move up, not only in finance but in operational areas.”

But when we asked respondents to tell us what doesn't work well in finance training at their companies, many respondents cited the inconsistency of informal training and the need to institute more formal programs. “Our training programs are largely informal and led by finance personnel,” writes one respondent. “We are working on formalizing programs and using outside training vendors to assure consistency and repeatability.” The controller of a midsize manufacturer writes, “The bulk of the training is informal in nature and is highly dependent on individual managers and/or peers.” While effective, on-the-job training happens every day, in other words, the quality of that training varies—and it depends, in large part, on the skill, interest, and commitment to teaching of a company's employees. How often are finance employees hired with these qualities specifically in mind?

Few companies appear to be willing to institute formal programs to establish and manage professional relationships. Only 24 percent of respondents say their companies offer formal mentoring programs to finance staff, and only 20 percent of respondents say their companies offer formal rotation programs. These results may indicate a fear that efforts to formalize mentoring and encourage teaching among employees may actually stifle those relationships. Indeed, the results seem to reflect the respect that companies hold for the professionalism, commitment, and personal motivation of their finance employees. But a solid majority of respondents—62 percent—agree with the statement that training sessions offer valuable opportunities to network with peers in other areas of the business. This suggests that respondents may well recognize the value of formal relationship-building efforts—particularly between finance and other business areas.

Emphasis on technical finance and accounting training

Where formal training is available, training programs tend to emphasize technical accounting skills rather than analytical finance skills. Fifty-two percent of respondents say formal training programs are available in technical finance and accounting matters such as GAAP accounting rules and regulatory compliance, but only 40 percent of respondents say that formal training is available for high-value, analytical finance skills such as budgeting and planning or decision support.

When we asked for their views on a wide array of topics addressed by formal finance training programs, respondents are most likely to say their companies were spending enough time and attention (or more than enough time and attention) on training in professional ethics and fraud detection. (See Figure 3, next page.) This emphasis on ethics training makes sense, in light of recent high-profile scandals involving finance. But respondents are also much more likely to say that their companies invest enough time and attention in training on company-specific policies for finance and accounting than in training on company operations and industry dynamics, or on soft skills like negotiation, problem solving, or communication.

Finance executives are eager for broad training that encompasses business management, operations, and technology matters, in addition to training in technical, company-specific financing and accounting areas.

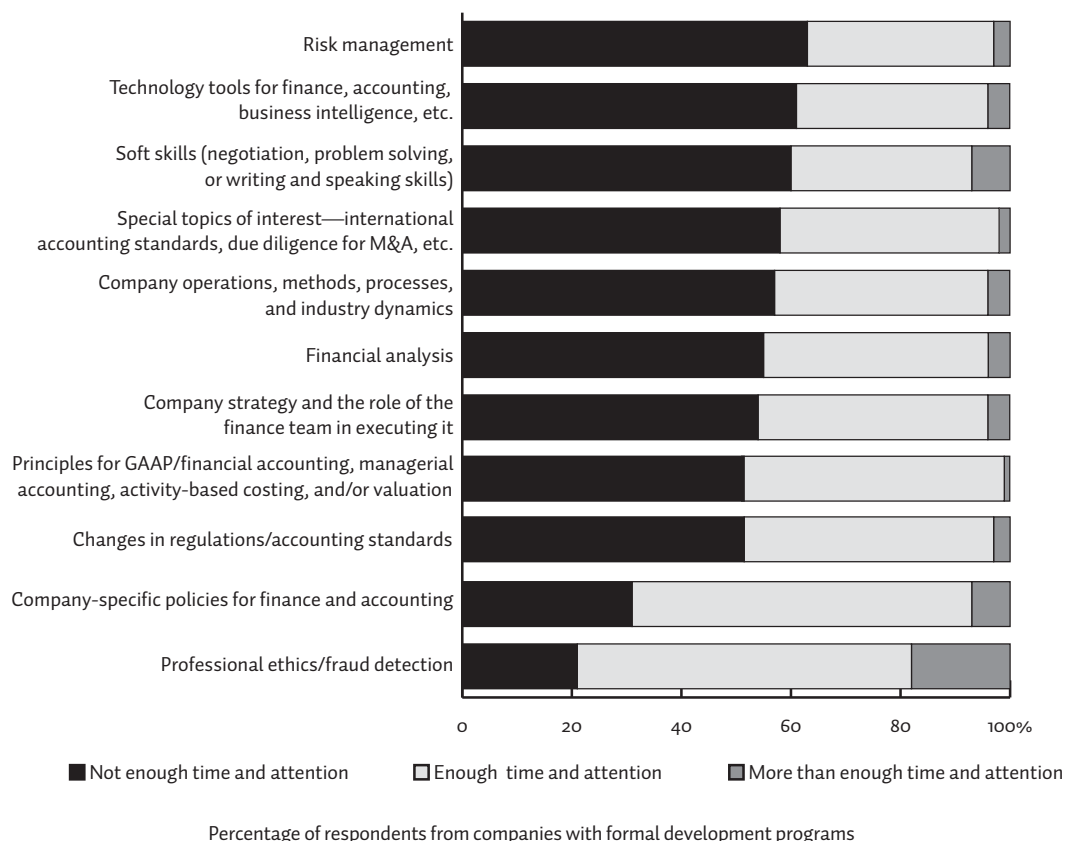
In general, finance executives say that their finance training programs emphasize technical finance and accounting matters (such as GAAP rules, activity-based costing, or valuation)—and, in particular, the company-specific applications of technical finance and accounting skills. Training in analytical finance topics receives less emphasis, particularly in specialized areas such as risk management. Survey results suggest, however, that finance executives recognize a need for more training in broader management topics: Finance executives are most likely to say that training in areas like operations, technology, and soft skills fail to receive enough time and attention in their companies.

Most striking about these results, however, is how few respondents say their companies spend “more than enough” time and attention on any topic—and how many respondents say their companies fail to spend enough time and attention on nearly all topics, across the board. Survey results suggest that finance executives are eager for broad training that encompasses business management, operations, and technology matters, in addition to training in technical, company-specific financing and accounting areas.

Open-ended responses confirm that finance executives recognize the lack of training outside of core technical matters as a shortcoming. The controller of a nationwide restaurant chain praises his company’s training in technical accounting areas and says that the company encourages finance employees to pursue CPA credentials—but he also notes that the company’s finance training falls short in other areas: “Training on areas of finance outside of GAAP doesn’t work well.”

> **Figure 3. Finance executives are eager for broad training that encompasses business management, operations, and technology matters, in addition to core technical skills.**

How much time and attention does your company's finance training curriculum give to the following items?



Several respondents observe that their companies' technical accounting training works well, but they cite the lack of training in soft skills such as cross-functional collaboration as a shortcoming: "GAAP and emerging accounting-topics training work very well," writes a VP of finance at a large manufacturer—but, he continues, "the formality of the training and the cross-organization movement of financial skills is not as strong." A director of finance at a large professional services company writes, "Most finance training is rules- and transaction-based, rather than focusing on how to integrate finance into the business team."

Indeed, in open-ended responses, many executives who offer praise for their companies' professional development programs emphasize the breadth of their companies' finance training and its focus on integrating finance with the rest of the business by improving leadership, collaboration, and other soft skills: "Because we are team-based and business-unit aligned," writes one respondent, "our finance department hires only those with three to five [or more] years of experience, so formal technical training is not needed. We offer team training and softer skills training to emphasize career development and leadership development."

The value of training

One of the most prominent themes to emerge from this research was the connection finance executives perceive between formal training programs and career advancement. They don't view formal training as a distraction or a mostly remedial exercise that would be better left for underperformers. Survey results suggest that senior finance executives are, if anything, eager for more (and more demanding) training.

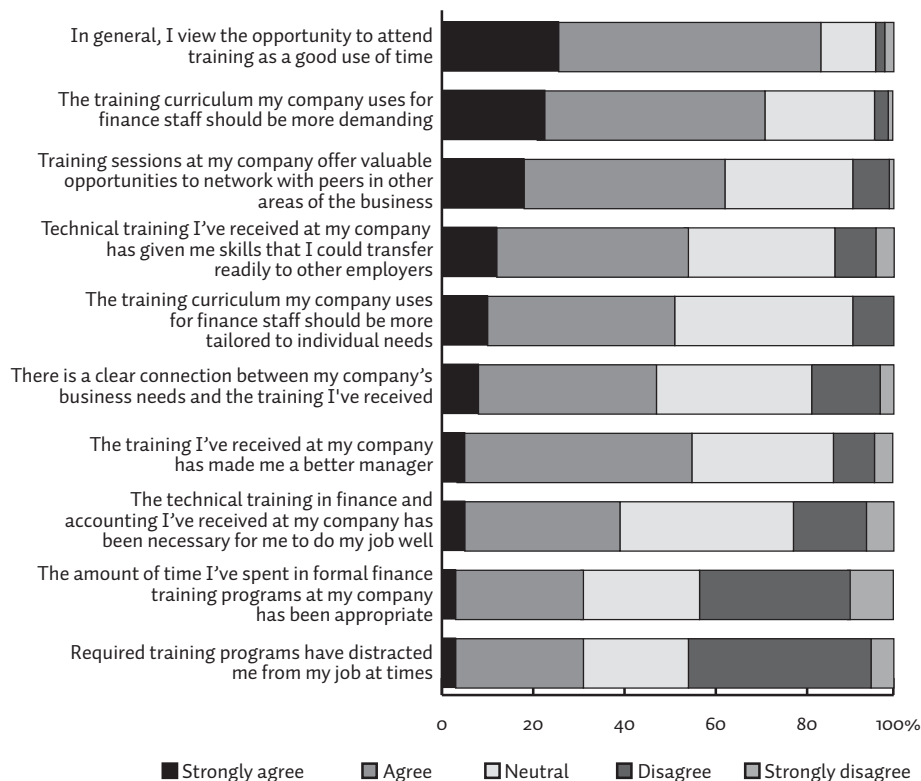
An overwhelming majority of respondents—83 percent—agree, for example, that “the opportunity to attend training is a good use of time.” At the same time, 73 percent of respondents agree that “the training curriculum [their companies use] for finance staff should be more demanding,” while only 31 percent of respondents say that required training programs have sometimes distracted them from their jobs. (See Figure 4.)

Respondents from companies with no finance training programs affirm this positive view of training: 78 percent of these respondents agree that “formal training in soft skills such as leadership, writing, public speaking, and collaborative problem solving would be a good use of [their] time,” and nearly as many agree that “formal training in technical finance and accounting matters (e.g., GAAP accounting, new regulations)” would be a valuable use of their time.

Why the strong interest in formal training? Survey results suggest that finance executives link formal training opportunities with opportunities for career advancement. When we asked respondents whose companies offer formal finance training about their personal priorities for improvement through those programs, respondents most often cited objectives that are closely associated with career advancement as top priorities—“prepare for a more senior role” (62 percent), and “gain more skills that are readily transferable” (45 percent). (See Figure 5, next page.)

> **Figure 4. Finance executives hold broadly positive views about formal finance training.**

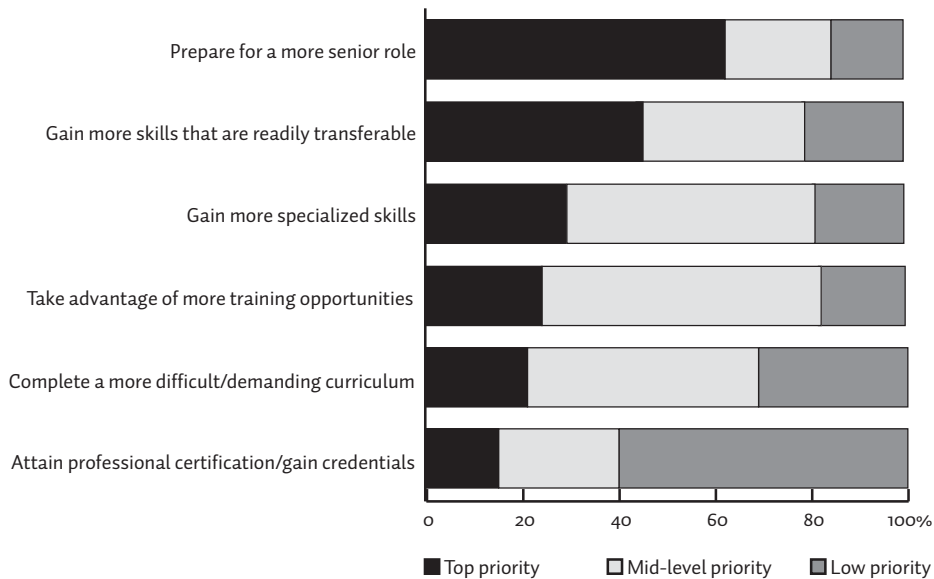
Consider the formal training programs in which you've participated at your current company. Do you agree or disagree with the following statements about those programs?



Percentage of respondents from companies with formal development programs

> Figure 5. Career advancement objectives top finance executives' list of priorities with respect to formal training.

Looking forward over the next two years, how would you evaluate your personal priorities for improvement through your company's finance training programs?



Percentage of respondents from companies with formal development programs

Respondents also repeatedly make a connection between formal training and career advancement in their open-ended responses. “There’s not enough training for current and new finance employees—the career track almost doesn’t exist,” says one director of finance at a midsize technology company. The controller of a midsize manufacturer says that informal, on-the-job training works at her company, but also notes that formal management training provides career development opportunities that on-the-job training doesn’t. “Working alongside knowledgeable people works the best, but I would like to see the finance management training program we used to have re-implemented,” this respondent writes. “More advanced development opportunities need to be created for more senior staff.” The executive concludes her remarks with a caveat: “But training classes for the sake of training often aren’t very effective. They can waste valuable time and be demotivating to staff.”

As useful as training programs can be, in other words, they should be tied to company objectives, individual needs, and real-world requirements. “We offer training,” writes an executive at a large biotech firm, “but there is a real disconnect between the training and the application of that training.” Survey results suggest that many companies are facing the same disconnect: Less than half of respondents whose companies offer formal finance training programs agree that “there is a clear connection between [their companies’] business needs and the training [they’ve] received,” and a majority of respondents agree that “the training program [their] companies use for finance staff should be more tailored to individual needs.” (See Figure 4, page 8.) “We’re in the process of developing more training for finance employees that relates more directly to their specific duties in this organization,” writes another respondent.

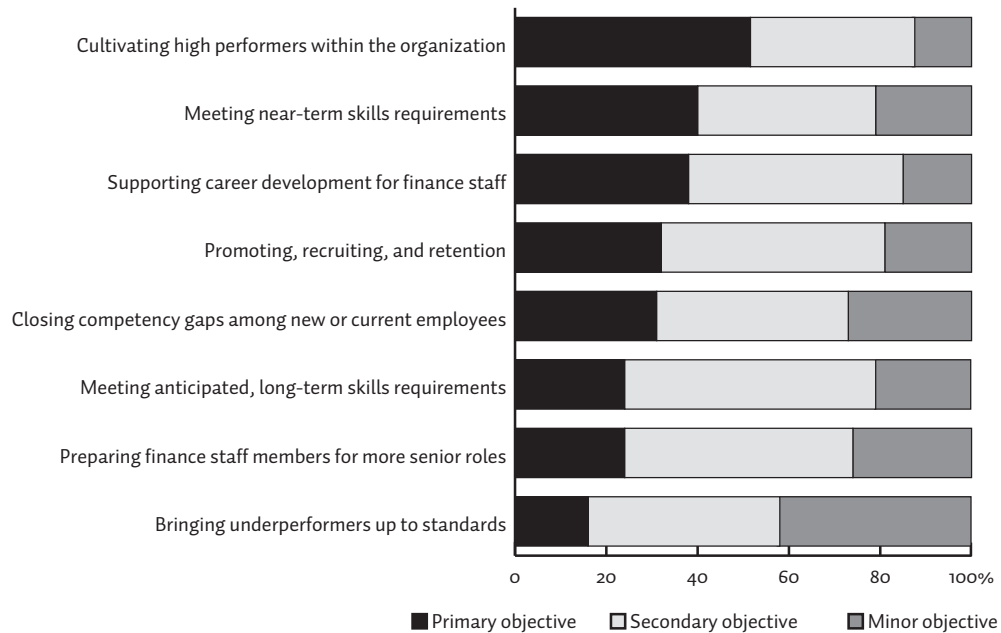
Respondents, then, tend to view training not as a burden or a remedial exercise, but as a privilege that's often reserved for valued employees. A majority (51 percent) of respondents whose companies offer formal training say that a primary objective of their companies' formal training programs is "cultivating high performers," while only 18 percent say a primary objective of formal training is to bring underperformers up to standards. (See Figure 6.)

If there is little question that formal training in finance is valuable, both from the point of view of the company and from the point of view of individual employees, why aren't more companies offering training or pressing forward with improvements to existing programs? As with most improvement initiatives, the answer is less than surprising: Competing priorities take precedence. When we asked finance executives from companies that offer formal finance training programs for the greatest barriers to improving those programs, an overwhelming majority—86 percent—cited "other priorities in finance." A majority of respondents (55 percent) cited "other enterprise-level priorities" as a barrier to training improvement—while only 22 percent of respondents said a poor perception of the value of training is a barrier.

The scarcity of resources in light of competing priorities may lead finance departments to concentrate their development efforts on certain constituencies, perhaps at the expense of others. The survey shows, for example, that companies are more likely to require training for new hires than for current staff. (See Figure 7, next page.) Required training for new hires emphasizes the basics—finance and accounting policies, lines of business, and IT systems and business processes. Forty-two percent of respondents say their companies require new-hire training on finance and accounting policies and procedures, for example, and nearly as many require new hires to be trained in the company's lines of business. But few respondents (only 22 percent) say their companies offer any training at all to new hires on collaborative problem solving, and only six percent require it for new hires. Optional training offerings for current finance staff are broader, but companies are still most likely to require current staff to be trained in the areas most narrowly related to their job function—finance and accounting policies and procedures (28 percent).

> **Figure 6. Respondents tend to view formal training as a privilege, not a remedial exercise.**

At your company, how important are the following objectives for formal finance training programs?

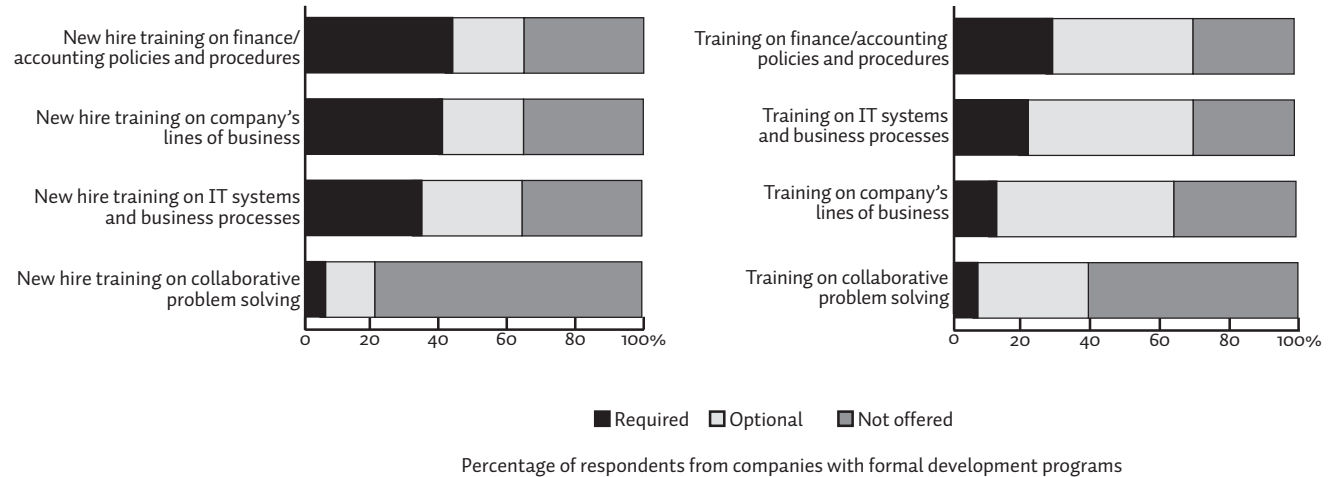


Percentage of respondents from companies with formal development programs

> Figure 7. Required training for new hires emphasizes the basics; training for current finance staff is broader, but is less likely to be required.

Which of the following formal training programs in finance does your company offer for new finance staff?

Which of the following formal training programs in finance does your company offer for current finance staff?



Many companies are concentrating development resources on new hires and on high performers.

Taken together, our survey results suggest that many companies are concentrating their development resources on one or both of two groups in finance: new hires, who need to become familiar with the company and its policies; and high performers, who are offered training in leadership, management, and general business skills to foster their career development and advancement. “All new hires are provided basic financial training and are provided with a primary contact in finance that supports their unit/department,” writes one respondent. “Training using multi-disciplinary groups is provided for high-performing finance staff,” the respondent continues. Consequently, companies may be missing opportunities to foster the valuable talents, abilities, and ambitions of the many finance employees who find themselves somewhere between these two points.

Conclusion: The way forward

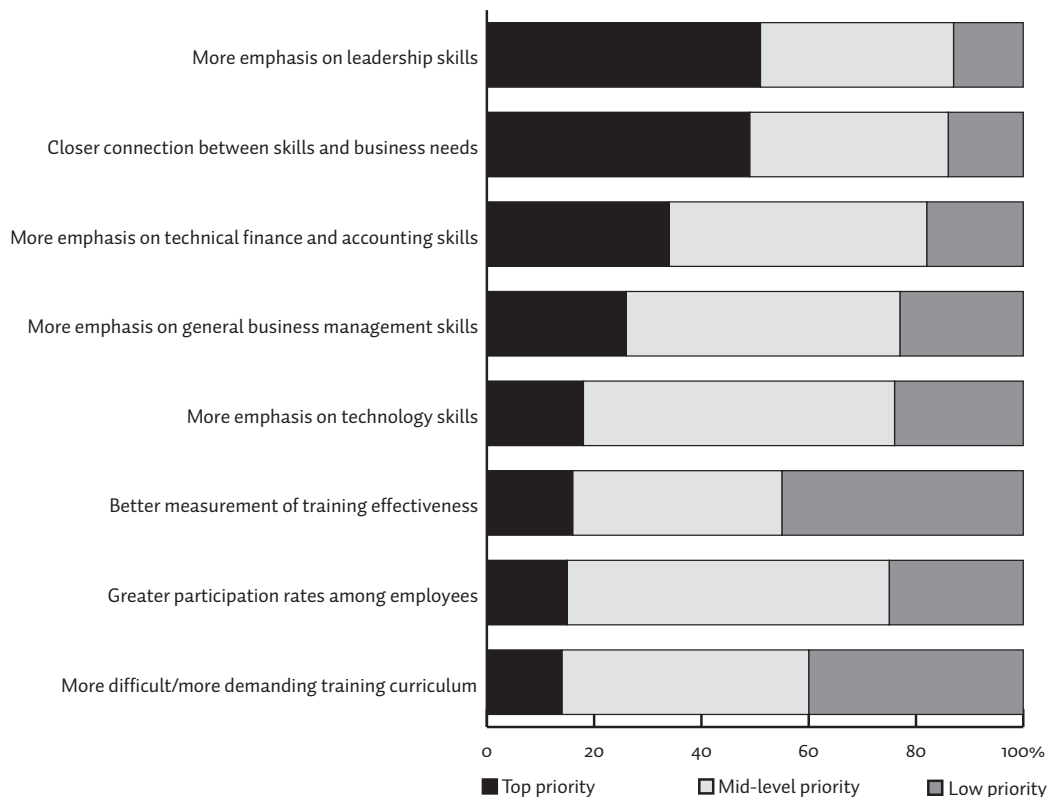
Many respondents who provided open-ended responses describe finance training programs in a state of flux. “We’re in the process of implementing a new approach to training; our existing programs are not up to par with the business challenges at hand,” writes one respondent. “We’re currently in the process of establishing more formal training programs that will be available primarily for new hires and can serve as refresher courses for current employees,” writes another.

Companies will seek to broaden their training offerings to include leadership skills in addition to technical finance and accounting skills.

Where are companies going next with finance training programs? We asked respondents to assess their companies’ priorities for improving finance training programs over the next two years. Respondents most frequently say that “more emphasis on leadership skills” is a top priority for improvement (51 percent), followed closely by a “closer connection between skills and business needs” (49 percent). Far fewer respondents say that “more emphasis on technical finance and accounting skills” will be a top priority (34 percent). (See Figure 8.) These results don’t necessarily mean that companies will seek to emphasize training in leadership skills, for example, at the expense of technical accounting training. Rather, these results suggest that companies will seek to broaden their training offerings to include leadership skills in addition to technical finance and accounting skills. These results also suggest that, as companies work to broaden training, they’ll strive to make a closer connection between training offerings and real-world business needs.

> **Figure 8. More emphasis on leadership skills tops companies’ list of improvement priorities for their finance training programs.**

Looking forward over the next two years, what are your company’s priorities for improvement through its finance training programs?



Percentage of respondents from companies with formal development programs

If past results are any indication, companies will see benefits from their improvement efforts. When we asked respondents to tell us how often their companies have realized a variety of possible positive outcomes from their training programs, they were most likely to say their companies have frequently “clarified ethics rules, policies, and procedures” through their training efforts (49 percent). These are, of course, the same areas where companies have concentrated most of their finance training efforts. It stands to reason that further investment in other areas would yield similarly positive results. Although a scarcity of time, attention, and money in light of other, pressing priorities will likely lead finance departments to seek cost-effective ways to broaden training offerings and tailor those offerings more closely to business needs, one theme resonates throughout the research: Finance executives agree that broad training is valuable—to the business and to the individual.

Finance executives agree that broad training is valuable—to the business and to the individual.



An Integrated Approach to Professional Development in Finance

Formal professional development for finance and accounting (F&A) staff has indeed taken on heightened importance, courtesy of the regulatory spotlight of Sarbanes-Oxley since its passage into law in 2002. The need for global consistency in accounting activity, for transparency of financial reporting, and for accounting accuracy are all mentioned by the clients with whom we work. While informal, on-the-job training is still the most common method used for skill building and professional development, there is a decided shift among global Fortune 1000 companies to implement and sustain a more formal approach.

At the same time, there is a shift in emphasis for the training that is being done. The need for technical skills—the basic application of U.S. GAAP in areas such as revenue recognition and inventory accounting—has not gone away. There is a growing need, however, to put those technical skills into context. People in F&A need (and are receiving) a better grounding in the businesses they support.

In addition, the implementation of integrated systems like SAP is simplifying life for many in F&A, who no longer need to spend as much time reconciling disparate data sources. Many organizations are finding that the best use of this new-found time is to focus less on data collection and reconciliation and more on data analysis. The ability to analyze trends and to do exception and variance analysis is seen as an important service from the F&A function. Not surprisingly, there is a demand for training on the analytic tools that finance personnel need to perform these tasks rigorously and consistently.

Both the focus on business context and the focus on analytics are part of a broader need for what many organizations call “business partnering.” Over the past few years, the profile of the F&A function has been raised in many organizations. There is demand for F&A to play a more prominent role in helping the organization meet its business objectives. Finance departments do this not only by providing both technical accuracy and analytic guidance, but also by consulting with the business organization on the financial import and impact of every key business decision. All of this requires training in communication, consulting, and leadership.

The skills of well-rounded F&A professionals are in high demand. The vast majority of organizations recognize the need for a more robust, formalized talent management strategy that includes a focus on how people in F&A grow and develop. This simply emphasizes the need for a more formal approach to F&A training, mapped against the career development goals of F&A professionals. Properly implemented, such a formal training approach becomes a true “win/win” for the organization and for F&A staff.

For more information, visit
www.acs-inc.com/learning
 or email us at financesolutions@acs-inc.com

Our market experience was validated by the results of this survey. Building technically solid, business-oriented F&A professionals who can work in partnership with the lines of business is clearly the desired future state for the human capital of the finance function.