

The evolving accounting talent profile: CFO strategies for attracting, training and retaining accounting professionals

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Executive summary

The current economic upheaval has stretched CFOs to the breaking point. Expectations of them have never been higher. They face enormous pressures to slash costs, instill financial discipline within the business, and partner with operations to deliver value for the organization — all while keeping pace with a rapidly evolving regulatory environment, with its heightened emphasis on risk management.¹

As the scope of CFO responsibility expands, so do the expectations of experienced finance and accounting talent. These individuals must keep abreast of ever-evolving accounting regulations and standards and develop technological expertise to leverage business and financial data. Today's CFOs find that technical skills are a necessary, but not sufficient, competency among accounting professionals. As they and their staff become more engaged in organizational decision-making, soft skills such as critical thinking and communication are increasingly important. Talent management, then, remains a chief priority for heads of finance departments.

To close skill gaps, CFOs acquire new talent as well as train existing personnel. Talent acquisition is often the only option when critical gaps must be filled quickly, or where skills are too specialized to be learned easily. Yet a shortage of accounting talent with appropriate soft skills in the external market compels CFOs to promote training of current staff members. While both internal and external programs are

employed to address gaps, on-the-job training is viewed as critical to internalizing new competencies, particularly on the technical side.

In addition to identifying and closing skill gaps, CFOs must ensure that retention strategies address the most critical turnover drivers among accounting personnel. They are sensitive to the staff burnout that accompanies heavier workloads, and they anticipate a tightening market for accounting talent following an economic recovery.

This Grant Thornton LLP (Grant Thornton) study offers insights on recruiting, training and retaining experienced accounting talent. Findings were drawn from in-depth interviews conducted with CFOs representing companies within the United States and abroad. We offer the following key takeaways from these CFO conversations:

1. Identify critical skill requirements
2. Use a mixed approach to bridge skill gaps
3. Foster on-the-job training to internalize new capabilities
4. Enhance long-term growth potential to promote retention
5. Consider financial and nonfinancial factors to retain talent

Our research would not have been possible without the insight and guidance provided by our CFO respondents. Grant Thornton would like to express appreciation for their direction throughout the course of this study.

When CFOs were asked to rate the importance and urgency of a variety of issues, training and retaining accounting talent emerged among the top three.

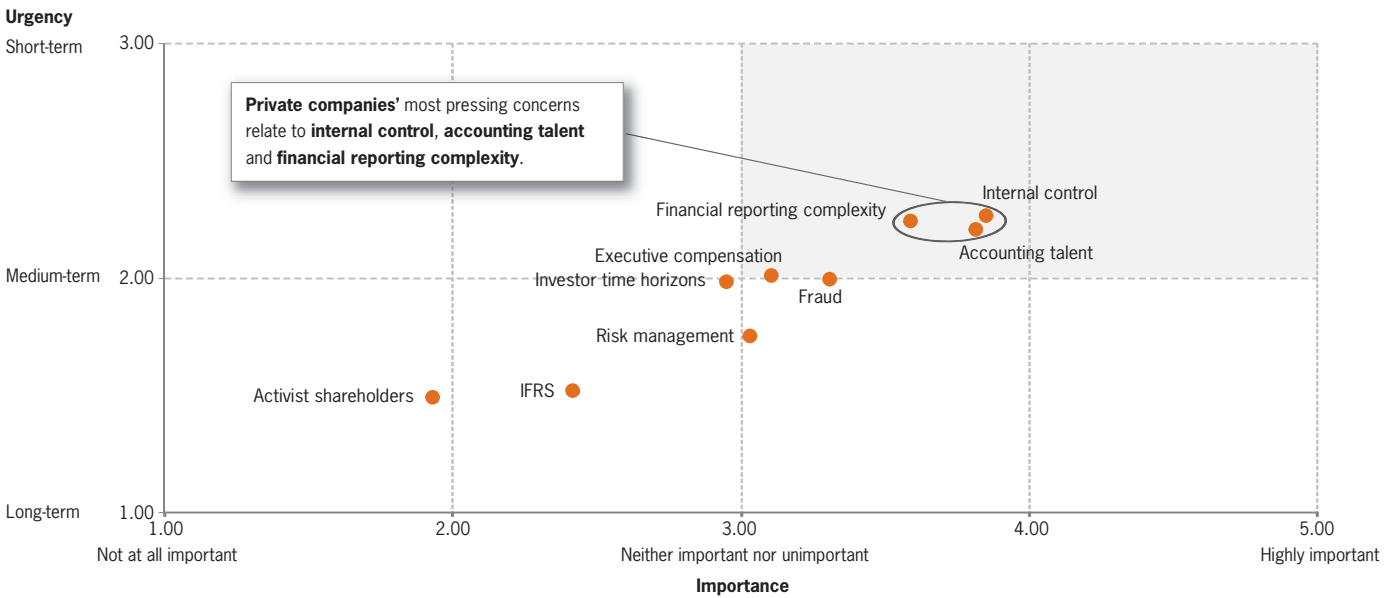
¹ McKinsey Global Survey Results, "How Finance Departments Are Changing," March 2009.

Background for the research

In 2009, Grant Thornton surveyed more than 500 senior finance executives at public and private companies in the United States about their most pressing challenges. Survey respondents — representing a broad range of industries and revenue groups — revealed several areas of deep concern. When respondents were asked to rate the importance and urgency of a variety of issues, training and retaining accounting talent emerged among the top three.

Putting the findings into context
 This paper is based on a combination of primary research (namely, our one-on-one interviews with a broad spectrum of US and non-US CFOs) and secondary research involving several comprehensive studies and surveys. The charts that show the answers to our CFO interview questions are not intended to represent a statistically significant sample. Rather, they are intended to give an indication of the mindset of the CFOs we interviewed. It is noteworthy, however, that the results of our CFO interviews and their related comments are consistent with other comprehensive research in the area of accounting talent.

Private companies – Topic importance vs. urgency



Topic rating scale

Importance is rated on a scale of 1 to 5 (where 1 = not at all important, 3 = neither important nor unimportant, and 5 = highly important). Urgency is rated on a scale of 1 to 3 (where 1 = long-term, 2 = medium-term, and 3 = short-term). Average scores are weighted by the percentage of respondents selecting each rating. Survey conducted between March 23 and April 4, 2009; respondents included over 500 senior finance executives at public and private companies in the United States.

Grant Thornton has already developed robust resources to help CFOs address two of the top three challenges identified — internal control and financial reporting complexity. In 2009, we completed the project to develop COSO (Committee of Sponsoring Organizations of the Treadway Commission) guidance on monitoring internal controls. The guidance, developed by COSO and a diverse team led by Grant Thornton, serves to assist organizations in monitoring the effectiveness of internal control systems and taking timely corrective actions. For additional information, visit www.GrantThornton.com/COSO.

Grant Thornton has also tackled the issue of financial reporting complexity. Most recently, Grant Thornton Partner Mike Krzus and Harvard Business School's Robert Eccles co-authored *One Report: Integrated Reporting for a Sustainable Strategy*, about the future of business reporting. Filled with best practices, case studies and current trends, *One Report* is an invaluable guide to how integrating financial and nonfinancial (environmental, social and governance performance) information into a single report can lead to a sustainable society. For more information, visit www.GrantThornton.com/onereport.

To better understand the critical challenges companies face in attracting, training and retaining experienced accounting talent, Grant Thornton, assisted by a third-party research provider, conducted one-on-one interviews with 22 U.S.-based CFOs and 10 non-U.S.-based CFOs representing a range of industries

and company sizes. While the U.S. CFO interviews form the foundation of the analysis presented here, those findings were calibrated against the smaller set of in-depth interviews conducted with CFOs based outside the United States.

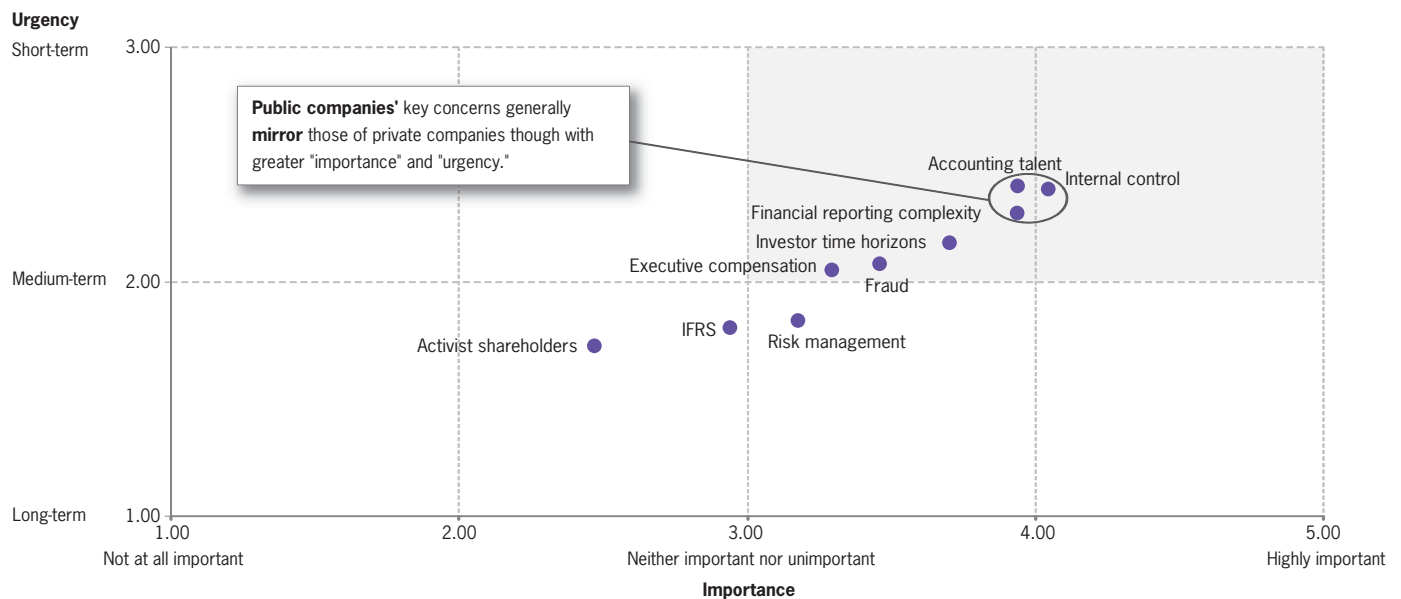
For the purposes of this study, “accounting talent” refers to individuals in finance departments whose primary focus includes accounting policy, financial reporting, internal controls or compliance. Numerous talent management studies have examined the experience of recent accounting graduates in the workforce. Our research, however, highlights challenges pertaining to seasoned professionals — generally those with at least a bachelor’s degree and 10 or more years of experience, and who may or may not have a CPA designation.

Our conversations were designed to gather in-depth information on each company’s specific approach to managing accounting talent, focusing on:

- the current state of the market for experienced accounting professionals,
- major training challenges for existing accounting talent and
- significant drivers of excessive voluntary turnover.

In addition to capturing CFOs’ insights on the above items, our interviews explored CFOs’ thoughts on solutions that have — and have not — worked in the past. This study presents the principal findings of our research effort.

Public companies – Topic importance vs. urgency



Topic rating scale

Importance is rated on a scale of 1 to 5 (where 1 = not at all important, 3 = neither important nor unimportant, and 5 = highly important).

Urgency is rated on a scale of 1 to 3 (where 1 = long-term, 2 = medium-term, and 3 = short-term).

Average scores are weighted by the percentage of respondents selecting each rating.

Survey conducted between March 23 and April 4, 2009; respondents included over 500 senior finance executives at public and private companies in the United States.

Talent market

Top-line summary

When asked about the difficulties they face in recruiting qualified, experienced accounting talent, a majority of CFOs cite lack of soft skills as the most significant challenge (55%), followed by concerns about the workload or lifestyle in corporate finance and accounting (50%). Lack of technical skills rates as the third-most urgent challenge in recruiting accounting talent (23%).

Concerns around finance talent recruitment are hardly new, and the rapid evolution of the talent profile for accounting professionals drives greater urgency around the issue. Indeed, a 2008 Accenture survey of finance executives found more than half of them challenged by the need to find qualified finance staff.²



Considering the market for qualified, experienced accounting talent, which of the following factors present critical challenges from a recruiting standpoint?



N=22

Topic rating scale

CFOs were presented with a list of possible responses and asked to rate the degree to which each item presents a recruiting challenge for the organization. Respondents also had the option of selecting "not a factor," indicating an item was not applicable to the company's recruiting challenges. Degree of challenge is rated on a scale of 1 to 4 (where 1 = not challenging and 4 = very challenging). Percentages reflect those respondents rating the item a "3" or "4" on the 4-point scale; rankings reflect these percentages. Interviews conducted between Q4 2009 and Q1 2010; respondents included 22 CFOs at public and private companies in the United States.

² Accenture, "Today's Finance Workforce — No Longer Just the 'Numbers Guys,'" June 2008.

Public vs. private company perspective

Public companies cite lack of soft skills as their primary recruiting challenge (62%), with workload or lifestyle concerns as their second-most pressing issue (46%).

In contrast, private companies rate workload or lifestyle as their foremost concern (56%), with soft skills of secondary importance (44%).

Soft skills

An October 2009 analysis by Accountemps highlights the growing demand for soft skills.³ When CFOs were asked which factors would aid in the hiring decision between two similarly qualified accounting and finance candidates, 31% indicated that “personality or people skills” trump other characteristics, such as technological capabilities or industry-specific experience — up just 1% from Accountemps’ analysis five years ago.

A number of CFOs comment that accounting staff in particular tend to focus on the “hard” technical aspects of their jobs rather than on honing the soft skills required for professional success and value creation for the business overall. CFOs’ open-ended responses to our interview questions uncovered a variety of desirable soft skills. These CFO conversations also suggest that varying workplace needs are generating the demand for these skills.

Soft-skill type	Underlying demand drivers
Critical thinking and problem solving	<ul style="list-style-type: none">Greater use of judgment in the application of accounting principlesIncreased reliance on data analysis to enhance decision-making
Negotiation and communication	<ul style="list-style-type: none">Need for more collaboration within the workplaceHigher level of interaction with outside business units or operations
Leadership and managerial ability	<ul style="list-style-type: none">Increased visibility of finance during financial crisis/economic downturnSuccession plans require finance/accounting bench strength

Critical thinking and problem-solving skills

Increased complexity in technical accounting standards is driving a need for improved critical thinking and problem solving. While CFOs note that many financial professionals have a strong foundation in accounting principles, they are now expected to demonstrate a greater use of judgment to ensure the appropriate application of these principles.

Several CFOs from public and private companies across the revenue spectrum express concern that their staff members have difficulty understanding the relevance of standards and are often challenged when applying accounting principles to real-world situations. CFOs state that accounting professionals possess deep theoretical knowledge which is due to the emphasis on rules-based accounting and modeling in the United States, yet those same individuals struggle when asked to conduct a general analysis or diagnose an issue from a practical or business application perspective.

“Our people can’t just focus on accounting principles. They need to broaden their experience and background knowledge to understand the business application of these principles. Many times, you need critical thinking and business judgment in order to translate data and effectively communicate it externally. Accounting professionals don’t always have both the soft skills and technical expertise.”

Chief Financial Officer
Public media company
Over \$5 billion in revenues

Beyond their use in the application of accounting principles, critical thinking and problem-solving skills are needed to meet mounting technology-related demands. As organizations seek to derive greater value from systems that capture more and more data on financial and business performance, accounting talent must exhibit ever-higher levels of technological competency.

³ Accountemps, “Most Wanted: ‘People’ People,” Oct. 20, 2009.

Communication skills a top issue for smaller companies

Of CFOs at companies with revenues under \$100 million, 62% cite communication skills as a central requirement for accounting talent.

This emphasis on communication skills is likely driven by the multifunctional role accounting professionals play within these organizations.

“Accounting professionals need to demonstrate computer skills and an ability to decode data. Computer skills like MS Access enable easy access and efficient management of massive data systems. Data analysis skills, on the other hand, allow accounting staff to support management with faster and more accurate decision-making.”

Chief Financial Officer

Private health care company
\$100 million–\$500 million in revenues

The need for improved technological capabilities among today’s accounting professionals goes beyond greater familiarity with desktop applications. In order to apply the correct technical rules and regulations, accounting talent must be familiar with the underlying data structure of corporate information systems, as well as understand how that data is used and manipulated. As a result, there is a tight linkage between accounting staff’s technological capabilities and the appropriate application of accounting treatments.

Negotiation and communication skills

Critical thinking and problem-solving skills are not the only soft skills sought by today’s CFOs. As finance departments collaborate more with operations — to manage company risk or raise capital for new business initiatives, for example — negotiation and communication skills have become increasingly essential attributes.

“People in marketing and production are more persuasive than those in accounting — they manage more staff and deal with management more frequently. With less exposure, you don’t have the same opportunity to develop communication skills, and if you aren’t persuasive, you can’t convince management to take up recommendations based on your review of the financials. ... We try to overcome these gaps through on-the-job training — there are a number of opportunities to conduct internal presentations, and I encourage our accounting staff to do so. We also include staff in negotiations so that we can closely observe their ability to influence the discussion.”

Chief Financial Officer

Public commercial services company – Australia
\$100 million–\$500 million in revenues

Since they are vital for managing team-based projects and attaining project goals, communication skills are highly sought out in a collaborative workplace. Several CFOs spoke of the connection between communication skills and successful project management. Accounting professionals must rely on their negotiation and communication skills to develop and leverage their own network of internal contacts, both inside and outside the finance department. In addition to promoting teamwork, these interpersonal skills enhance project execution, enabling staff members to procure information and resolve issues in a more timely and effective manner.

Leadership and managerial skills

In addition to financial acumen, nontechnical skills such as leadership ability are increasingly prized — especially in a down economy. A September 2009 *CFO* magazine survey asked respondents to choose up to three attributes proven most important in weathering the financial crisis: “Management / leadership ability” was listed by the largest percentage of respondents (63%), “financial planning and analysis skills” by the second-largest group (55%), and the “ability to think strategically” by the third-largest percentage of respondents (38%).⁴

Succession planning also requires CFOs to build a strong bench of finance and accounting talent ready to take on senior-level roles. Successful candidates must exhibit leadership and managerial skills, which require them to draw upon both technical and soft skills.

“It is easy to find someone who can do something that you have asked him or her to do. But it is difficult to find someone with a long-term vision — someone with an awareness of the big picture who sees the issue strategically.”

Chief Financial Officer

Public industrials company
Over \$5 billion in revenues

The expansion of the CFO’s responsibilities means that the CFO’s staff must enhance their leadership and managerial skills in order to better support the CFO’s expanded role. CFOs note that they may have good individual performers on their finance and accounting teams, but high-performing individual contributors still need to learn how to manage people and work through others to execute critical tasks.

Workload/lifestyle

While more than half of the CFOs we surveyed express concern over soft-skills deficiencies, almost as many worry about the decreasing number of accounting professionals seeking careers in the field. Individuals choosing a career in finance and accounting today are aware of the work-life balance issues associated with such roles. However, the past decade has witnessed significant changes in the responsibilities and workload associated with these jobs — changes which may drive existing talent away from this career path.

“I think a lot of financial people — who are in the same work experience band — were brought up in very good times, and they are still not able to adapt to the new shift in how challenging the business really is.”

Chief Financial Officer

Private financials company
\$100 million–\$500 million in revenues

A Robert Half International survey conducted during 2009 underscores this issue. Over one-quarter of CFO respondents (27%) cited “rising workloads” as the primary factor driving the need for more accounting or finance personnel.⁵

⁴ *CFO* magazine, “Recession Impressions,” Nov. 1, 2009.

⁵ Accountemps, “Pace of Finance Staff Cutbacks to Slow in First Quarter,” Dec. 1, 2009.

Technical skills

Solid technical expertise regarding accounting rules and regulations is mandatory for accounting talent, especially as the accounting landscape continues to evolve. As one CFO noted in a 2007 *McKinsey Quarterly* article, “We shouldn’t underplay the technical side of the accounting function. ... It’s very easy to end up with middle-of-the-road finance people who are good at running the basic numbers, but you need people who are technically very strong as well.”⁶

“Since a lot of rules and regulations are constantly changing or being combined with international standards, technical expertise will be critical. New employees will need greater familiarity with technical accounting research in order to implement and educate others on evolving standards.”

Chief Financial Officer

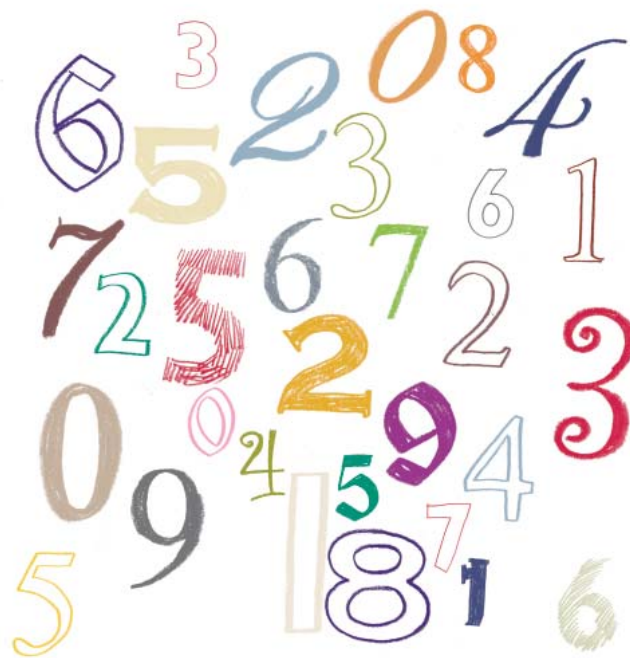
Private technology services company
Under \$100 million in revenues

The view from CFOs at a wide range of companies clearly indicates that professionals must possess a theoretical understanding of rules and regulations and demonstrate an ability to apply theory to practice. It is therefore encouraging to see that a lack of technical skill is not viewed as a significant recruiting challenge for CFOs in the United States.

Non-U.S. company perspective

Like their U.S.-based counterparts, most non-U.S. company CFOs list lack of soft skills as their chief concern in recruiting accounting talent (70% vs. 55% in the U.S.).

In contrast to the U.S., however, non-U.S. company CFOs rate lack of technical accounting skills as their second-most concern (60% vs. 23% in the U.S.).



⁶ *McKinsey Quarterly*, “Building a Competitive Finance Function: An Executive Roundtable,” December 2007.

Training challenges

Top-line summary

Given the rising demand for — and short supply of — soft skills, it is no surprise that a majority of CFOs cite these attributes as the most significant training challenge for their existing accounting talent (77%). Training challenges on a variety of accounting-related issues follow: from understanding and applying international accounting standards (68%) to addressing new external reporting needs (50%). Half of the CFOs surveyed also expressed a need to train accounting professionals on enterprise resource planning (ERP) or IT systems and technological developments such as eXtensible Business Reporting Language (XBRL).

The economic climate has intensified these challenges, as many companies have focused on simply surviving the downturn, slashing — or eliminating — training budgets to cut costs. CFOs at public and private companies of all sizes tell us they are committing fewer resources to both external and internal training. Moreover, with fewer individuals shouldering a heavier workload, accounting staff members lack the time for training. Given the recession — and the resulting financial and time constraints placed upon CFOs' departments — the need for proven, cost-effective training methods is exceptionally high.

Which of the following areas present a potential training challenge for your existing accounting talent?



N=22

Topic rating scale

CFOs were presented with a list of possible responses and asked to rate the degree to which each item presents a training challenge for the organization. Respondents also had the option of selecting "not a factor," indicating an item was not applicable to the company's training challenges. Degree of challenge is rated on a scale of 1 to 4 (where 1 = not challenging and 4 = very challenging). Percentages reflect those respondents rating the item a "3" or "4" on the 4-point scale; rankings reflect these percentages. Interviews conducted between Q4 2009 and Q1 2010; respondents included 22 CFOs at public and private companies in the United States.

Soft skills

Our conversations reveal that not only are soft skills hard to teach and observe, but CFOs may have difficulty communicating the nature of such deficiencies and identifying successful training programs for their staff members to close those gaps.

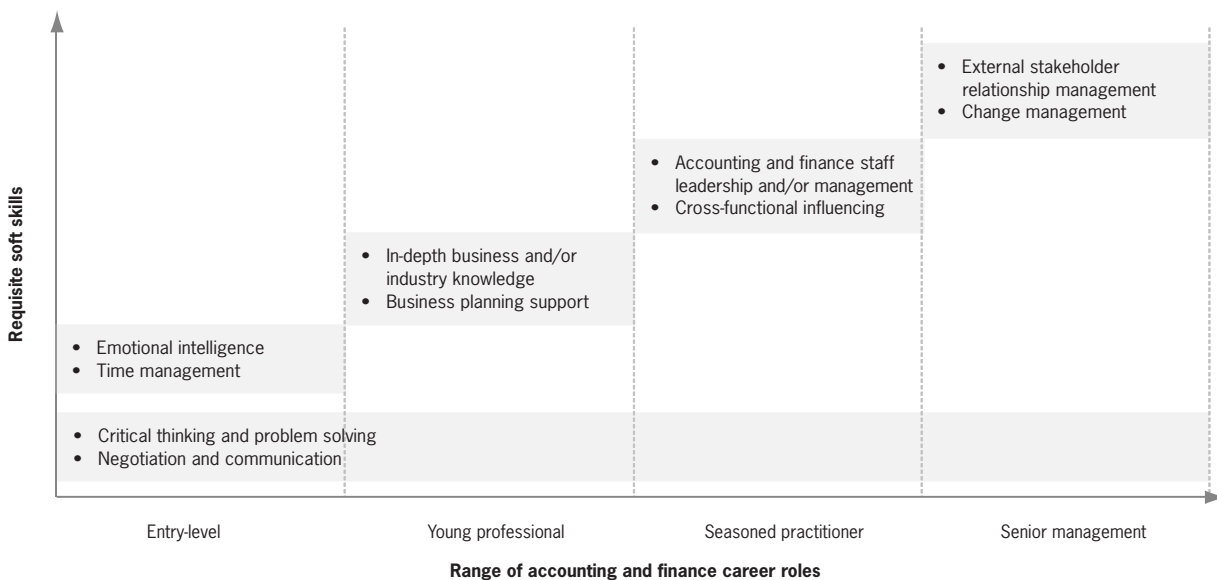
“In my mind, technical skills are fundamentally easier to train for than soft skills. Though they may be very complex, at least you have some content to train to. When it comes to soft skills like leadership, there isn't anything to train to. For instance, you know who a good leader is, and you can see it, but you can't define it.”

Chief Financial Officer

Public technology hardware company
Under \$100 million in revenues

Despite the lack of a traditional teaching curriculum, CFOs acknowledge that mastery of both hard and soft skills is essential for advancement. Jeffrey C. Thomson, president and CEO of the Institute of Management Accountants, describes a “continuum of financial leadership” where accounting and finance professionals are expected to acquire and demonstrate various hard and soft skills as they progress along their career path.⁷ Below is an illustration of soft-skills acquisition across the accounting and finance career continuum based on material developed by Thomson:

Requisite soft skills across the accounting and finance career continuum (illustrative)



⁷ *Strategic Finance*, “Financial Leadership: What’s It All About?” Jeffrey C. Thomson, April 2008; *Business Finance*, “The Leadership Skills Continuum,” Jeffrey C. Thomson, Nov. 30, 2009; *The CPA Journal*, “Closing the Accounting Talent Gap,” Jeffrey C. Thomson, Dec. 1, 2009.

Some financial executives believe that training for nontechnical skills is too difficult; instead, they choose to look for those characteristics outside the company. But most of them have discovered that sourcing qualified new talent is at least as difficult as training existing employees, and external candidates also need ramp-up time to learn the business.

“To understand and incorporate new reporting requirements, you need someone with an analytical mind — an understanding of the business and appropriate business drivers — in order to display the desired results. If you don’t have the talent in-house, it’s going to be difficult to find.”

Chief Financial Officer

Private financials company
\$100 million–\$500 million in revenues

While some CFOs contend that soft skills are innate, all agree that experience is fundamental to strengthening them. Some executives remark that talent hired directly from accounting firms can have difficulty transitioning to a fast-paced business environment. Although they are equipped to handle accounting issues, they may lack the perspective that comes from corporate experience. One CFO noted a preference for “hiring a business person and teaching him or her accounting practice,” rather than the other way around.

Non-U.S. company perspective

Non-U.S. company CFOs cite both soft-skills development and training in quantitative risk management techniques as areas of primary concern (80%).

Deepening industry expertise and understanding of non-financial business drivers rates as the next most-pressing training area (60%).

Bridging the soft-skills gap

Although many of the CFOs we interviewed find it challenging to impart soft skills, a number of them have initiated efforts to do so. Most of them emphasize one-on-one interaction or personal involvement, such as mentoring, rather than formal classroom training.

CFOs find it difficult to measure the effectiveness of soft-skills training, given the situational nature of these competencies. As a result, companies employ different training approaches depending on the soft skills to be developed. For example, external programs — supplemented by materials customized to the organization — are frequently used to develop communication and leadership skills. Internal programs are more often used to build critical thinking and problem-solving capabilities. Since they often tie into core accounting skills (e.g., demonstrating judgment in the application of accounting principles), critical thinking and problem solving are best developed through internal coaching and on-the-job training. Subsequent improvements in analytical thinking are most often evaluated through personal observation over time.

Several CFOs find that the most effective activities for building soft skills are those that connect people to their peers and to senior management. These experiences set expectations for accounting staff and help them develop a deeper understanding of the business. Other CFOs raise awareness of nontechnical skill needs as part of their team culture and by linking positive outcomes to financial rewards.

“Because soft skills are extremely important, I created a group — composed of the accounting and the finance teams — to focus on these issues. I’ve embedded the importance of interpersonal skills into our team culture — it’s a part of our hiring process and weekly activities. Plus, a part of your bonus is based on the ability to communicate in the organization.”

Chief Financial Officer

Private electronics company
Under \$100 million in revenues

Accounting-related issues

Although soft skills are a primary challenge, CFOs continue to face numerous training difficulties on the accounting front.

Accounting-related issue	Example
International accounting standards	IFRS vs. U.S. GAAP
Complex accounting and auditing standards	Fair value accounting
Evolving regulatory framework	Derivatives regulation
External reporting needs	Sustainability reporting

The struggle to keep up to date with technical developments is exacerbated by a growing fatigue in the face of the never-ending stream of guidance from standard setters and regulators covering a variety of accounting rules and regulations.⁸ Accounting talent must closely monitor regulatory developments and ensure that any changes are incorporated into the reporting process in a timely manner — but CFOs are concerned that their people often lack examples of how companies are managing new disclosure or reporting requirements.

Private company CFOs express additional concerns around their staff's exposure to or familiarity with accounting-related issues.

"Being able to translate the regulatory framework and then apply it to the business environment is very challenging. Because we are a private company, our accounting staff does not get as extensive an exposure to various business processes as they might in a public company, creating a bigger challenge in training our people on various aspects of the regulatory framework. To retain such training and use it consistently is a challenge."

Chief Financial Officer

Private health care company
\$100 million–\$500 million in revenues

IFRS training a top priority for larger companies

IFRS-related training is the most critical challenge for CFOs at companies with over \$500 million in revenues, with 83% rating it as challenging or very challenging.

Training around soft skills, complexity of standards and the evolving regulatory framework follow, with (67%) of respondents rating each of these areas as challenging or very challenging.

In practice, accounting talent may receive training on technical issues, but CFOs cannot know the effectiveness of that training until those skills have been applied internally. The speed of change around accounting and auditing standards — along with the uncertainty around the enforcement of such standards — often renders technical training ineffective, because of a significant lag between such training and its eventual application. In addition, professionals might learn theoretical concepts through academic coursework — for example, around quantitative risk management — but this does not mean they possess the capability to build models and conduct analyses. This lack of real-world exposure can lead to skill deficiencies.

Most CFOs rely on external resources to keep current on rules and regulations, either through industry-led conferences or through seminars facilitated by public accounting firms. However, hands-on practical application is required to ensure that theoretical concepts translate into functional ability.

⁸ CFO.com, "A Growing Contagion: Accounting Fatigue Syndrome," March 9, 2010.

IFRS training

The transition to International Financial Reporting Standards (IFRS) provides a useful illustration of how companies have approached training on an evolving accounting issue. It also highlights the dual need for technical and soft skills among accounting personnel.

Accounting staff will require technical training on the meaning of IFRS and its application. In addition, they will need critical thinking and soft-skills training on how to recognize and evaluate areas of increased judgment required by IFRS.

Several CFOs note that the framework itself is not necessarily complicated. However, when accounting staff are most familiar with U.S. GAAP, the transition to IFRS can be difficult — notably when U.S. GAAP and IFRS are similar but not identical. In these instances, accounting staff may overlook subtle differences between the two standards. CFOs at public and private companies of all sizes report that keeping track of the old rules and the new rules — and the evolution from one to the other — is a significant challenge.

To close skill gaps around IFRS and to keep up to date on developments, companies rely on external training, information gathering and knowledge sharing. Successful approaches include sending high-performing accounting talent to external training sessions and conferences that are typically sponsored by the AICPA, Financial Executives International (FEI) or public accounting firms. Internally, any updates are monitored and all information is shared within the organization.

Most importantly, IFRS is compared to the company's current practices to pinpoint major differences and evaluate their impact on systems and processes. If any knowledge gaps are identified, accounting staff research existing information and reach out to accounting firms that have published content on similar issues to close those gaps.

Technological needs

Beyond technical accounting expertise, today's accounting professionals must possess a basic understanding of ERP and IT systems. Not only are accounting professionals keepers of data, they are viewed as managers of data and must overcome technological skill deficiencies to leverage those systems and provide a high level of decision support. In addition, functional knowledge of ERP and IT systems is increasingly important as regulatory compliance drives integration of financial accounting and enterprise-wide IT systems.

Often lacking separate IT functions, midsized organizations may have a particularly acute need for greater technological skill among accounting talent. Smaller organizations may also lack the resources to engage specialized consultants for ERP transition or integration projects.

"Most accounting people come from either a less sophisticated data environment or from a large organization where there's a traditional divide between finance and IT. A midsized firm doesn't have a traditional IT organization — we need effective, talented finance professionals who understand both data and information systems."

Chief Financial Officer

Private advertising company
Under \$100 million in revenues

Unfortunately, most CFOs we interviewed are frustrated with available technology-related training options. When companies lack internal expertise, external programs are often the only training venue available to them. While accounting staff may immerse themselves in lengthy, intensive sessions to better understand their companies' IT systems, this training may not impart the knowledge base needed to answer questions from an analytical standpoint. That said, some CFOs have found success by keeping finance staff apprised of long-term IT plans and their subsequent impact on financial systems, uncovering potential knowledge gaps and setting expectations for upcoming training needs.

"Right now, we're in the process of implementing Oracle, so people are going through the complete training process for its implementation. With our existing ERP applications, there was a constant schedule of training on new features and retraining to ensure we were making best use of all the available features. Now, every two years we create a roadmap of what the IT architecture should look like in financial systems, so people know what's in store for them and can upgrade their skills in a timely way."

Chief Financial Officer

Private insurance company – India
\$500 million–\$1 billion in revenues

Addressing training gaps

Companies use a mix of talent acquisition and training to bridge skill gaps. Under certain circumstances, hiring new personnel may be less resource- and time-intensive than training existing talent. For example, to rapidly build capabilities around certain enterprise software, CFOs often acquire experienced talent from the outside and then implement internal training to build critical mass.

When it is important to build specialized skill sets quickly, hiring talent is perceived among CFOs as the only alternative. For example, companies opening operations in new geographic markets typically need to acquire talent that is familiar with local regulations. Similarly, many CFOs hire for specific new functional competencies such as quantitative risk management rather than make an initial investment in training existing accounting staff.

Yet our conversations suggest that training is still fundamental when building soft skills — especially as staff members advance along the career continuum within their organizations. CFOs can recruit for talent with specific skills, but as businesses become increasingly specialized, internal training and development programs take on greater significance.

For both technical and soft skills, CFOs find the most success when their organizations have internal subject-matter experts acting as learning champions and imparting knowledge to their colleagues when required. To build new skills, CFOs find in-house training (with internal or external instructors) to be more effective than external seminars, since in-house training can be tailored to the individual needs of the organization.

Private company perspective

Compared to their public counterparts, more private company CFOs express concern around training in nearly all areas: training around soft skills, IFRS, complexity of standards, external reporting needs and technology-related issues all tied for primary importance (67%).

CFOs also recognize that they may need to adjust their expectations for what can be achieved through external training programs. While hiring can address immediate needs and training courses can be helpful, CFOs underscore the importance of on-the-job training for internalizing new skills, particularly on the technical side.

“Training, whether online or in class, does not match what people learn on the job. For example, on-the-job training helps people understand and question issues in a particular transaction — such as a new accounting procedure that should have been applied. This type of skill development can only be achieved in the workplace — not in the classroom.”

Chief Financial Officer

Public commercial services company
\$100 million–\$500 million in revenues

Furthermore, CFOs highlight the importance of selecting training programs to close specific competency gaps rather than taking an ad hoc approach. CFOs express concern that when training choices are made by individuals, those choices may not meet the needs of the overall accounting and finance departments. CFOs recommend that companies set objectives around functional skills and use training to target knowledge gaps, instead of allowing people to choose training programs a la carte.

CFOs agree that successful training requires strong senior management support; according to our CFO interviews, establishing management buy-in is especially crucial to the success of any soft-skills training program. The following internal support mechanisms are useful for motivating accounting talent to expand and develop skill sets:

- Implementation of regular 360-degree feedback systems as part of the appraisal process, including an assessment of both soft and technical skills
- Formal career plans with defined learning paths and descriptions of the soft and technical skills needed to advance into different positions
- Discussion sessions with senior leaders where the need for skill building is reinforced, including one-on-one skip-level interactions to motivate personal soft-skills growth

Many organizations do not have metrics in place for measuring the effectiveness of training programs. Effectiveness is typically measured as part of the formal appraisal process (via review of work done during a specified review period) or through one-on-one interaction and observation.

Turnover drivers

Top-line summary

When asked about top voluntary turnover drivers, most CFOs cite poor work-life balance and limited advancement as top-most concerns (45%), followed by poor training and development opportunities (32%). Poor compensation/benefits ranks fourth on the list of top turnover drivers, a finding consistent with other research suggesting that higher monetary rewards do not necessarily lead to higher retention.⁹

Numerous research studies indicate that voluntary turnover increases as economic conditions improve. Most of the CFOs we spoke with had not yet experienced significant voluntary turnover, though they realize the potential for it once the economy improves. Flight risk may be higher among accounting talent, given a greater demand for their skill sets and the heavier workloads caused by headcount reductions in overhead functions like finance. A June 2009 Ajilon Finance/Institute of Management Accountants survey of accounting professionals found that nearly one-quarter of those polled (23%) plan to look for new opportunities once the economy recovers.¹⁰ Having laid off one layer of their staff, CFOs are at greater risk of key-person dependency and cannot afford to lose the finance and accounting talent that remains.

To reduce turnover risk when the economy rebounds, CFOs must have retention strategies in place that successfully target accounting talents' deepest concerns.

If you have experienced any voluntary turnover among your accounting personnel, which of the following factors represent the most significant drivers of this kind of turnover?



N=22

Topic rating scale

CFOs were presented with a list of possible responses and asked to rate the importance of each item in driving turnover at the organization. Respondents also had the option of selecting "not a factor," indicating an item was not applicable to the company's retention challenges.

Degree of importance is rated on a scale of 1 to 4 (where 1 = not important and 4 = very important). Percentages reflect those respondents rating the item a "3" or "4" on the 4-point scale; rankings reflect these percentages.

Interviews conducted between Q4 2009 and Q1 2010; respondents included 22 CFOs at public and private companies in the United States.

⁹ McKinsey Quarterly, "Motivating People: Getting Beyond Money," November 2009.

¹⁰ Ajilon, "Accountants Loyal to Their Companies, But Some Plan to Look for New Jobs When Economy Rebounds," Aug. 5, 2009.

Work-life balance

One might expect poor compensation/benefits to be the primary driver of voluntary turnover, yet according to our research, work-life balance and limited potential for advancement top CFOs' lists of retention concerns. According to the CFOs with whom we spoke, several trends drive the demand for improved work-life balance.

Given the rise of Generation Y in the workplace, some executives view the desire for greater balance as reflecting generational shifts within the accounting talent pool. Several CFOs remark that new accounting professionals in particular no longer believe they are defined by their careers and demand greater balance as a result.

Other respondents highlight the economic downturn as the primary source for new work-life pressures. CFOs have been forced to cut headcount, and with fewer staff members responsible for the same level of activity, the remaining employees must increase their individual workloads.

Regardless of the underlying reason, CFOs agree that there has been a wholesale shift in workload expectations for the accounting function. They observe that while individuals can tolerate an excessive workload or operate under extended hours for a limited time, their accounting professionals have been working under those conditions for an extended period.

Non-U.S. company perspective

Non-U.S. company CFOs cite work-life balance as the primary turnover driver among accounting talent (40%), followed by concerns about limited advancement potential and a lack of cross-functional rotational opportunities (30%).

Despite the recognition that poor work-life balance increases turnover, few new strategies exist for dealing with the issue. Since it is unlikely that hours will decrease, most CFOs focus on creating an engaging work environment. To that end, they list potential solutions that include organizing social events, encouraging staff members to take time off and creating flexible work schedules. Heavy workloads may be unavoidable during the economic downturn, but adding elements of flexibility in time and place, as well as aiming for more predictable work hours, can make those workloads more tolerable.

"We help our people recognize that we are trying to create a happy workforce. Even if we only reward them in small ways, they know we are looking out for their wellness and not just for their work."

Chief Financial Officer

Public financials company
\$100 million–\$500 million in revenues

Given the importance of work-life balance in employee satisfaction and loyalty, CFOs must continually monitor their effectiveness in addressing concerns in this area.

Limited advancement

CFOs also cite limited advancement opportunities as a primary concern leading to the departure of accounting talent. While this finding is true for companies of all sizes, CFOs at smaller organizations speak about concerns over upward mobility, while CFOs at larger organizations talk about issues with both vertical and horizontal mobility.

“Because of the size of our company, lack of advancement opportunity is a turnover issue. We have many accountants at the same level and only one controller, so upward mobility and advancement are difficult.”

Chief Financial Officer

Private hospitality company
Under \$100 million in revenues

“Limited advancement is a problem for us. People need to move vertically or horizontally in the organization. If they feel that they cannot move anywhere in the company, they will look for opportunities somewhere else.”

Chief Financial Officer

Public media company
Over \$5 billion in revenues

Finance and accounting professionals recognize that demonstrated experience plays a fundamental role in advancing their careers. When respondents to a *CFO* magazine survey conducted in September 2009 were asked to select up to three factors — other than hard work and talent — that helped them achieve their current roles, the two most common responses were “specific past experience” (67%) and an “opportunity that allowed me to demonstrate my abilities” (48%).¹¹ Educational background, mentoring and training were selected less frequently.

Private company perspective

Limited advancement potential is the primary turnover concern for private company CFOs (67%), followed by poor work-life balance and poor compensation/benefits (56%).

Finance executives know that staff concerns around advancement cannot be addressed simply by upgrading job titles. Appealing job designations are only temporary solutions and do not translate into higher job satisfaction and lower turnover. Rather, accounting professionals seek more substantive opportunities to further their careers.

CFOs have experimented with a number of solutions to address the issue of advancement among accounting talent, including finance rotations within the organization and CFO skip-level lunches with junior staff. The most effective tactics provide accounting professionals with an opportunity to demonstrate their expertise and gain new skills.

“We have a limited number of positions in the company, and at times, there aren't any openings for someone to move up into. So if an employee has been performing at his or her full potential, we initiate individual projects to enable greater exposure to a given area of responsibility.”

Chief Financial Officer

Public health care company
\$500 million–\$1 billion in revenues

Finance executives need not carve out new positions to address advancement concerns; however, to ensure an appropriate level of engagement, they must foster a shared understanding of how one-off projects help their staff achieve their long-term career objectives.

¹¹ *CFO* magazine, “Recession Impressions,” Nov. 1, 2009.

Cross-functional rotational opportunities

CFOs of larger finance organizations cite a lack of cross-functional rotations — and their subsequent impact on career growth — as a potential turnover driver.

“Many people want to move out of accounting into finance and operations roles. Sometimes making this jump can be difficult, so people look for a different assignment in a different company. People need to keep learning and developing their skills to add value to their employer, and it is vital to their own careers as well.”

Chief Financial Officer

Public media company
Over \$5 billion in revenues

Research suggests that accounting professionals recognize the linkage between operational roles and potential advancement. According to a *CFO* magazine survey conducted in September 2009, when controllers were asked to identify the most significant gap they had to address in order to advance, 30% named “operational experience” as the most essential attribute.¹²

Cross-functional rotations can offer high performers valuable exposure and experience, addressing concerns about advancement and development in the process. These rotations can serve as an effective retention lever, helping the organization retain staff members who are potentially the most likely to leave in search of broader responsibilities.

“To retain high performers, we make sure they are well-compensated and are expanding their knowledge base through additional experience, exposure to senior members of the organization and new opportunities. High performers are given the opportunity to be recognized for what they do and to display their talent, after which we can place them in another role in the organization.”

Chief Financial Officer

Public media company
Over \$5 billion in revenues

By leveraging their accounting expertise, these individuals can provide value to other parts of the organization, as well as gain the operational experience needed for managerial and/or leadership roles.



¹² *CFO* magazine, “Recession Impressions,” Nov. 1, 2009.

Training and development

Training and development ranked as the third-most important turnover driver among accounting personnel — not surprising given the direct linkage to career advancement, expanded opportunities and higher compensation.

To mitigate training and development-related turnover when the economy is down and training dollars are scarce, CFOs stress the need to engage talent in individual discussions and create plans for personal growth based on career aspirations. Daily face-to-face interactions are particularly effective when designing training and development plans. According to the CFOs with whom we spoke, these discussions should cover current projects and future career aspirations to successfully address accounting staff member concerns.

“One-on-one meetings have been the most successful method to close skill gaps — these meetings allow us to explore an employee’s needs and gain a clear vision of his or her workplace issues. With this information, we can formulate a development plan and implement it successfully.”

Chief Financial Officer

Private technology services company
Under \$100 million in revenues

Training and development alone, however, cannot eliminate voluntary turnover. These activities must be balanced with compensation that matches the employee’s capabilities and experience.

Compensation/benefits

CFOs understand compensation’s role in the company’s recognition of and reward for an individual’s contributions. They realize that employees’ worth is defined not only by their work product, but by how the company monetarily recognizes their performance. Given recent economic conditions, however, they are challenged in terms of using compensation and benefits as a retention tool.

Companies are struggling to address staff demands around career advancement and salary increases. When accounting professionals reach a certain standard of performance, they expect the company to compensate them accordingly. Competitive pay is necessary to avoid excessive voluntary turnover. Some finance executives express concern that offering competitive pay is a greater challenge for midsized businesses than for larger organizations.

“Midsized businesses can’t afford people with the appropriate training in accounting and financial principles, so we often have to settle for under-experienced people and then train and develop them. It really becomes a price competition issue. While there are trained people in the market, they don’t fit the requirements of a midsized business, and I cannot compete with Fortune 500 companies for a qualified staff member with 10 years of experience.”

Chief Financial Officer

Private advertising company
Under \$100 million in revenues

Many CFOs benchmark compensation levels to the industry or profession to ensure external parity. They also note the importance of establishing — and upholding — organization-wide compensation policies and adjusting pay levels only when a market gap exists. Because CFOs may be constrained (organizationally or by current economic conditions) from increasing pay for accounting professionals, they have examined both monetary and nonmonetary factors to address concerns about weak compensation/benefits.

"We evaluate our salaries and benefits annually. We also have a unique compensation procedure where you can advance your responsibilities and pay scale in the current position, rather than force a move to a different position to add value to the company. This does not include a promotion but offers responsibilities to remain competitive."

Chief Financial Officer

Private financial services company
\$100 million–\$500 million in revenues

The emphasis on nonmonetary retention levers is essential in today’s market, since few companies are able to offer higher financial rewards to minimize turnover. Still other CFOs, representing companies of all sizes, note that higher monetary rewards are a short-term fix and not the only — or the most effective — tool in retaining key accounting professionals.

"I think remuneration is overrated; it does not work in the long term for really good employees — they expect more from an organization."

Chief Financial Officer

Private technology services company
Under \$100 million in revenues

Salaries are a minor reason for people leaving. If you involve people and engage them in what they are doing and pay attention to them, they tend to stick around a lot longer even if they don't get more pay."

Chief Financial Officer

Public industrials company
Over \$5 billion in revenues

Increasing employee engagement

CFOs would benefit by considering compensation as part of a broader assessment of rewards and recognition, since recent research suggests that recognition is fundamental to how employees perceive the value of the work they perform. According to a 2009 *McKinsey Quarterly* study,¹³ three nonfinancial factors were found to be more effective than financial incentives in generating sustained employee engagement.

Top three nonfinancial motivators

- Praise and commendation from immediate manager (67%)*
- Attention from leaders (63%)
- Opportunities to lead projects or task forces (62%)

Top three financial motivators

- Performance-based cash bonuses (60%)
- Increase in base pay (52%)
- Stock or stock options (35%)

*% of respondents rating the factor "extremely effective" or "very effective."

Since project or task force leadership can be linked to advancement opportunities, it is not surprising to see it cited by so many respondents. What is surprising, though, is that it rates so highly among the drivers of employee engagement. Similarly, we mentioned exposure to senior management as a factor for motivating accounting talent to build soft skills. This, too, emerges as a top motivator in promoting overall engagement. While several CFOs acknowledge the role of compensation as a form of recognition, nonmonetary forms of recognition seem to play a larger role than financial rewards in motivating talent.

Given the impact of these three nonfinancial levers in motivating employees, CFOs should consider formalizing these factors in their talent management strategies.

¹³ *McKinsey Quarterly*, "Motivating People: Getting Beyond Money," November 2009.

Final thoughts

Current economic conditions, heightened role expectations and an expanding scope of responsibility are compelling CFOs to re-examine the skills and competencies of their accounting professionals — as well as their own approaches to managing accounting staff. While core technical skills continue to be important, CFOs increasingly value individuals who are ready to take on a broader set of responsibilities. This evolution of the accounting professional's role requires enhanced competencies that go beyond technical accounting knowledge to include soft skills such as problem solving and influencing.

However, CFOs' talent management issues are not restricted to soft-skills identification and development. The dynamic nature of accounting standards and the voluminous — yet fluid — guidelines that require greater use of judgment present training challenges as well. In addition, accounting staff members need to upgrade their technological expertise in response to increased reliance on business and financial data housed within corporate IT systems. And while CFOs work to address these skill gaps through talent acquisition and training, they also recognize the potential for a spike in voluntary turnover once economic conditions improve.

Given limited resources and a wide variety of management techniques that promise varying degrees of success, CFOs must employ those practices that address their most urgent talent-related concerns. We offer the following key takeaways from these CFO conversations:

- 1. Identify critical skill requirements.** CFOs should screen potential accounting candidates on technical competencies and emerging soft-skills needs (e.g., critical thinking, communication, leadership) and identify competency gaps among existing accounting talent.
- 2. Use a mixed approach to bridge skill gaps.** While CFOs often rely on talent acquisition to fulfill immediate skill needs or address a need for specialized expertise, those with whom we talked suggest that training is fundamental to building soft skills, especially as accounting professionals advance along the career continuum.
- 3. Foster on-the-job training to internalize new capabilities.** Formal training courses can be helpful in introducing new skills, but CFOs should also provide on-the-job training opportunities that allow accounting staff to employ recently acquired skills — especially those related to technical capabilities — in real-world situations.
- 4. Enhance long-term growth potential to promote retention.** CFOs should provide accounting talent with opportunities to demonstrate their experience and gain new skills. In addition, CFOs should address staff concerns about advancement, training and development in order to improve long-term growth potential and mitigate turnover risk.
- 5. Consider financial and nonfinancial factors to retain talent.** CFOs should not only benchmark compensation to ensure equitable pay among accounting staff, but recognize the role of nonmonetary factors (e.g., recognition, exposure to senior management, opportunities to lead projects) in motivating employees and improving retention.

Methodology

Grant Thornton engaged a third-party research firm, Evaluesserve Inc., to conduct a total of 32 in-depth one-on-one telephone interviews with CFOs. Interviews were conducted with 22 U.S.-based CFOs and 10 CFOs based outside the United States. Non-U.S. CFOs were based in Australia, Canada, India and the United Kingdom. While the U.S. CFO interviews form the foundation of our analysis, those findings were calibrated against insights from the smaller set of non-U.S. CFO interviews. All interviews were conducted between Q4 2009 and Q1 2010 with CFOs of public and privately held companies representing a variety of industries:

- Advertising
- Apparel and luxury goods
- Automotive
- Biotechnology
- Commercial services
- Communications equipment
- Consumer services
- Consumer staples
- Electronics
- Financials
- Health care
- Hospitality
- Industrials
- Insurance
- Materials
- Media
- Technology hardware
- Technology services
- Telecommunications services
- Utilities

Thirteen public and 19 private U.S.-based companies were surveyed, along with six public and four private non-U.S. companies, reflecting a broad range of revenue sizes.

Revenue range	Public/private status		U.S. and non-U.S. status		Grand total
	Public	Private	U.S.	Non-U.S.	
Under \$100 million	2	8	8	2	10
\$100 million–\$500 million	9	4	8	5	13
\$500 million–\$1 billion	2	1	2	1	3
\$1 billion–\$5 billion	3	0	1	2	3
Over \$5 billion	3	0	3	0	3
Grand total	19	13	22	10	32



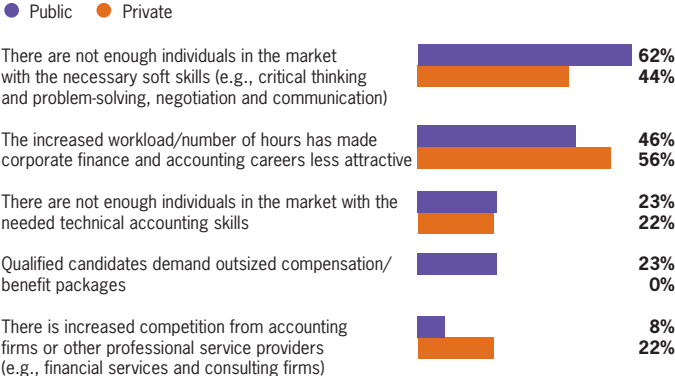
Appendix: Detailed breakout – public/private status

Public vs. private company respondents

Throughout the report, we note major points of difference between public and private company CFOs. The Appendix displays detailed breakouts for U.S.-based public and private company respondents across the three primary sections of our analysis: talent market, training challenges and turnover drivers. For each question below, we present a chart that highlights the differing priorities among public company and private company CFOs.

Talent market

Considering the market for qualified, experienced accounting talent, which of the following factors present critical challenges from a recruiting standpoint?



Public companies=13
Private companies=9

Training challenges

Which of the following areas present a potential training challenge for your existing accounting talent?

● Public ● Private

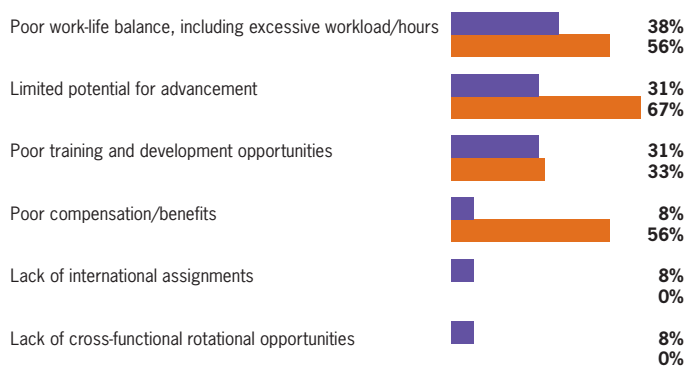


Public companies=13
Private companies=9

Turnover drivers

If you have experienced any voluntary turnover among your accounting personnel, which of the following factors represent the most significant drivers of this kind of turnover?

● Public ● Private



Public companies=13
Private companies=9

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Authors/contributors

Trent Gazzaway

National Managing Partner of Audit Services

Trent.Gazzaway@gt.com

Gina Kim

Director, Public Policy and External Affairs

Gina.Kim@gt.com

Kristen Malinconico

Manager, Public Policy and External Affairs

Kristen.Malinconico@gt.com

Lisa Newport

Director, Public Policy and External Affairs

Lisa.Newport@gt.com

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