ROBERT WALTERS GREATER CHINA CFO REPORT
USING EFFECTIVE TALENT MANAGEMENT STRATEGIES TO EXCEL THE FINANCE FUNCTION

ROBERT WALTERS

FOREWORD

I am pleased to present the inaugural Greater China CFO Report, created to help CFOs understand the relationship between talent management and finance function effectiveness.

The report, entitled 'Using Effective Talent Management Strategies To Excel The Finance Function', focuses on one of the most important topics for CFOs nowadays. As the finance function continues to evolve to meet the changing expectations of the businesses, having the right talent and talent management strategies are two of the keys to effective performance of the finance function.

Our survey result reveals that identifying and developing future leaders is a key concern of CFOs, with 21% of surveyed CFOs noting it as the top talent management challenge their organisation may face in the coming year. It is equally challenging to recruit capable and effective Gen-Y finance professionals – only 4% of surveyed CFOs found it not challenging at all while the rest found it either very or somewhat challenging.

Soft skills have become the top criteria CFOs use to evaluate their employees. For instance, 26% of surveyed CFOs would use soft skills to assess the potential of their direct reports to be groomed into senior management roles, while 24% said soft skills were the top skills and qualities they looked for when hiring Gen-Y finance professionals.

Hiring the right talent and growing them with the right talent management strategies are crucial for finance function effectiveness. This is why I am excited to present this report, which offers exceptional insight into the challenges the finance function faces during its transformation to become a strategic partner to the business, as well as thorough advice on how CFOs can secure talent pipeline and retention by tailoring development programmes for their finance talent.

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INTRODUCTION

This Robert Walters Greater China CFO Report has been created to explore the relationship between talent management and finance function effectiveness. It aims to help CFOs better understand how talent management issues hinder them from excelling the finance function as a successful partner to the business.

Specifically this executive report explores:

- Finance function effectiveness
- Securing talent pipeline and retention
- Management of Gen-Y employees

METHODOLOGY

This executive report is based on the findings of research conducted by Robert Walters throughout the Greater China region in August 2014. To compile this research, Robert Walters surveyed over 580 CFOs across China, Hong Kong and Taiwan.

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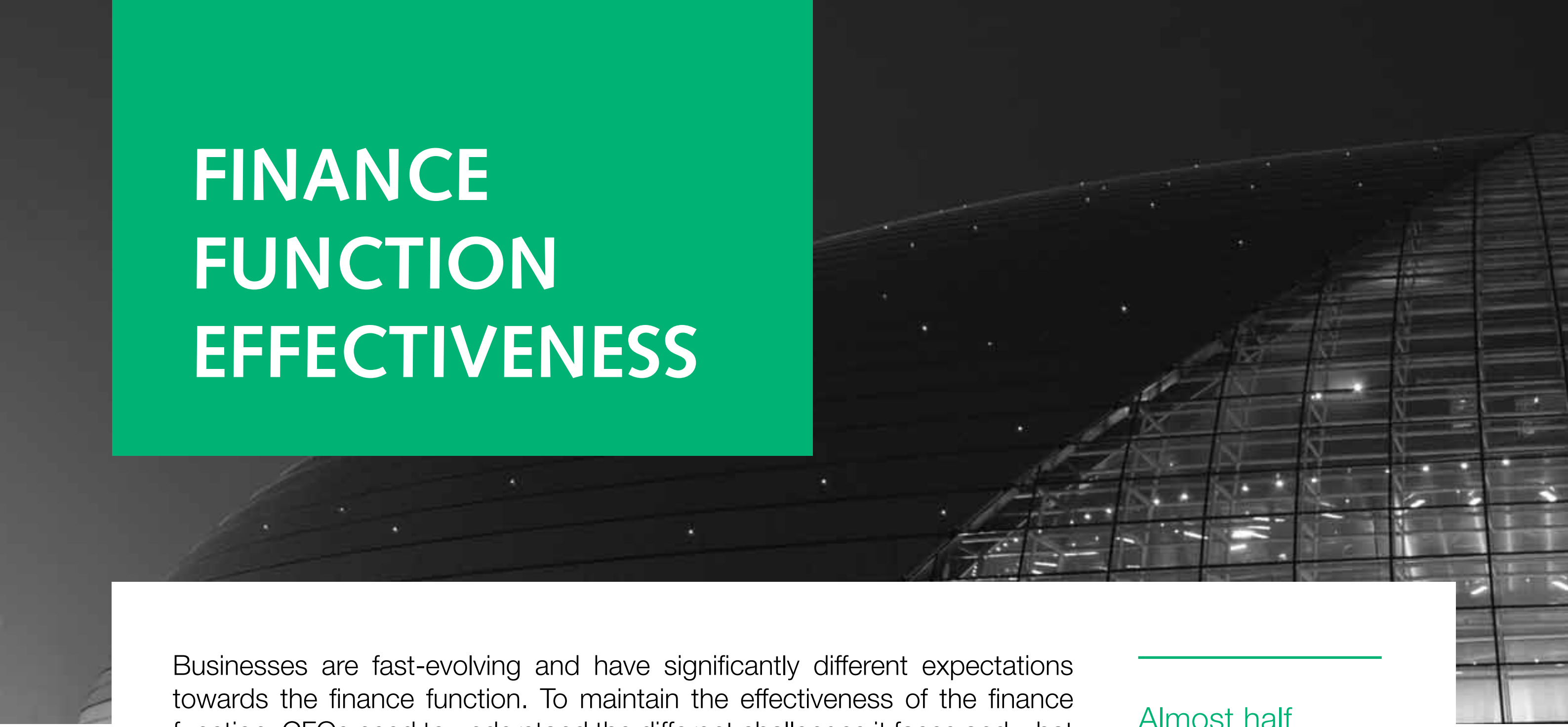


FINANCE FUNCTION EFFECTIVENESS

Businesses are fast-evolving and have significantly different expectations towards the finance function. To maintain the effectiveness of the finance function, CFOs need to understand the different challenges it faces and what might prevent their teams from excelling as a partner to the business.

Almost half (44%) of CFOs said driving top and bottom line growth was one of the top challenges most commonly faced by the finance function in the past five years

SURVEY RESULTS

When asked to rate the change in challenges most commonly faced by the finance function in the past five years, the top three challenges identified by CFOs were ‘driving top and bottom line growth’ (44%), ‘tightened business compliance and regulations’ (37%) and ‘change in customers’ expectation’ (33%).

When asked what changes they would foresee in their organisation’s operations in the next 12 months, most CFOs predicted that there will be increases in revenue (68%), operating costs (59%) and net profit/profit margin (56%). However only 40% said there would be increases in headcount while 46% said headcount would ‘remain unchanged’.

Most CFOs (17%) felt that ‘driving revenue and profitability’ was a key challenge that might prevent the finance function from excelling as a business partner. Other challenges identified included ‘insufficient time to carry out value-added analysis to the business’ (16%), ‘driving current cost/profit margin’ (12%) as well as ‘securing and retaining the best finance talent’ (11%).

When asked what the top talent management challenges their organisation would face in the coming year, most CFOs cited ‘identifying and developing future leaders’ (21%), ‘improving employee engagement/retention’ (20%) and ‘improving employee productivity’ (19%).

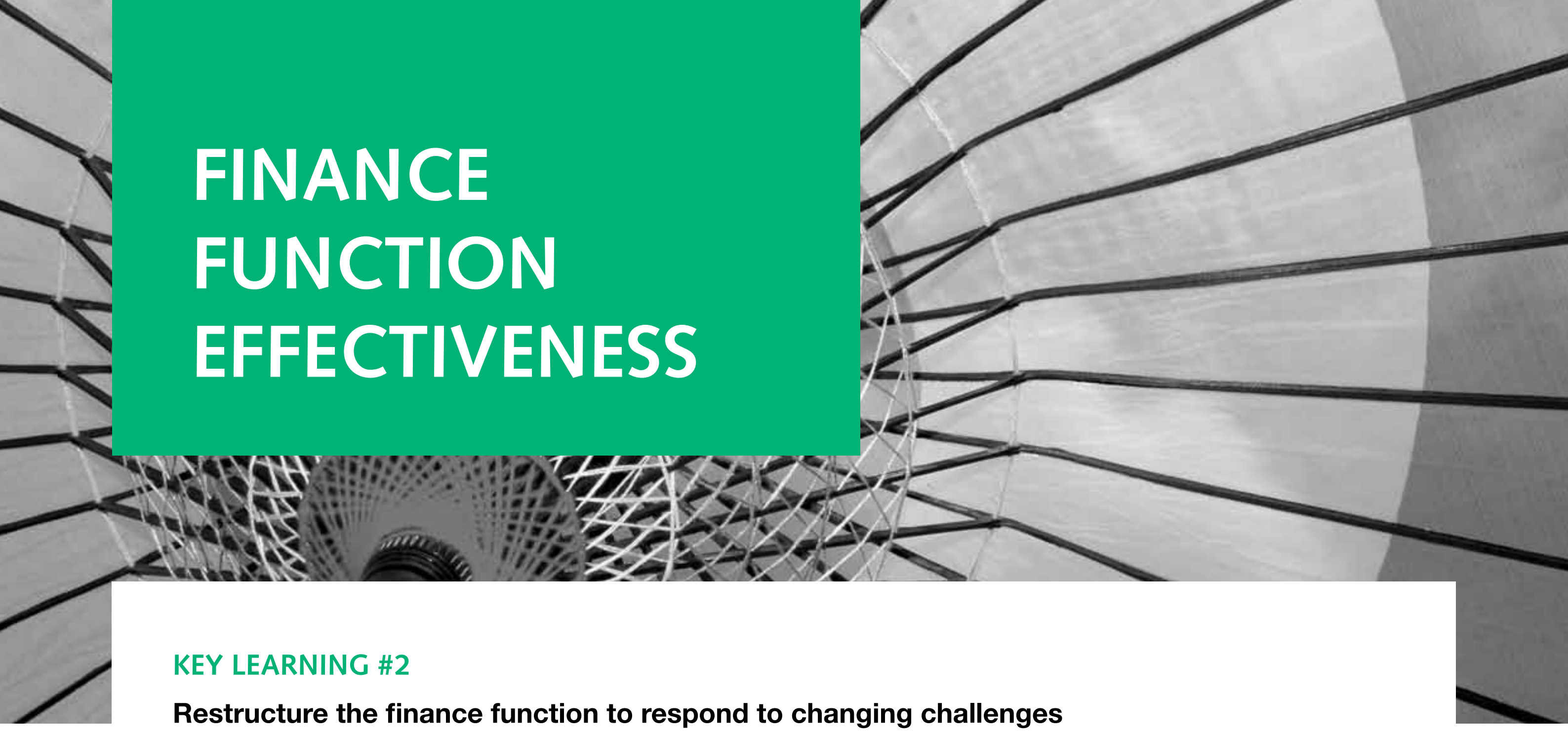
KEY LEARNING #1

The finance function’s job is getting more difficult

The current market landscape is more competitive than that of five years ago. The finance function is facing significant pressure from the business to drive revenue and profitability; at the same time they are also required to help streamline and increase business efficiency, as well as ensure compliance and regulatory requirements are met with. These tasks not only add to the workload of the team, but also reflect the growing role of finance in supporting corporate strategy which requires high-level analysis – all set against a backdrop of limited growth in headcount. There is no doubt that the finance function is facing some challenging times ahead.

21%

of CFOs said identifying and developing future leaders is the top talent management challenge their organisation may face in the coming year



FINANCE FUNCTION EFFECTIVENESS

KEY LEARNING #2

Restructure the finance function to respond to changing challenges

There is no one-size-fits-all solution; the way a team should be structured during economic prosperity and downturns should not be the same. Similarly, the finance function needs to be redesigned to meet with the changing challenges more effectively. Here we highlight some of the different roles performed by the finance function and what the CFO can do or change to maximise resources and boost performance:

- **Transaction processing and management**

  While it is crucial for this to be done properly, it takes up a lot of the team's time and manpower with not much added-value that businesses are truly after nowadays. Consider offshoring or outsourcing the work to third-party specialists, or using shared services centres. This may help to lower costs and allow greater flexibility of resources for the finance function to focus on more business critical issues.

- **Control and risk management**

  Tightening regulatory requirements has made it ever more important for companies to do this right and CFOs also identified this as one of the top challenges in this research. Many of the activities that fall under this category, such as audit, management reporting, tax and treasury, require strong technical expertise. Consider centralising these activities and setting up centres of excellence to allow finance professionals with strong technical skills to share best practices and maximise the use of their experience and knowledge across the organisation.

- **Business partnering**

  By performing strategic analysis and providing commercially-astute suggestions, finance business partners (FBPs) arguably play the most critical role to the successful transformation of the finance function – from a back office function to one that can add value to the business. Consider forming a specialised team of FBPs and free them from doing the core finance work as much as possible to allow them to focus on working with the business and influence decisions.

FINANCE FUNCTION EFFECTIVENESS

KEY LEARNING #3

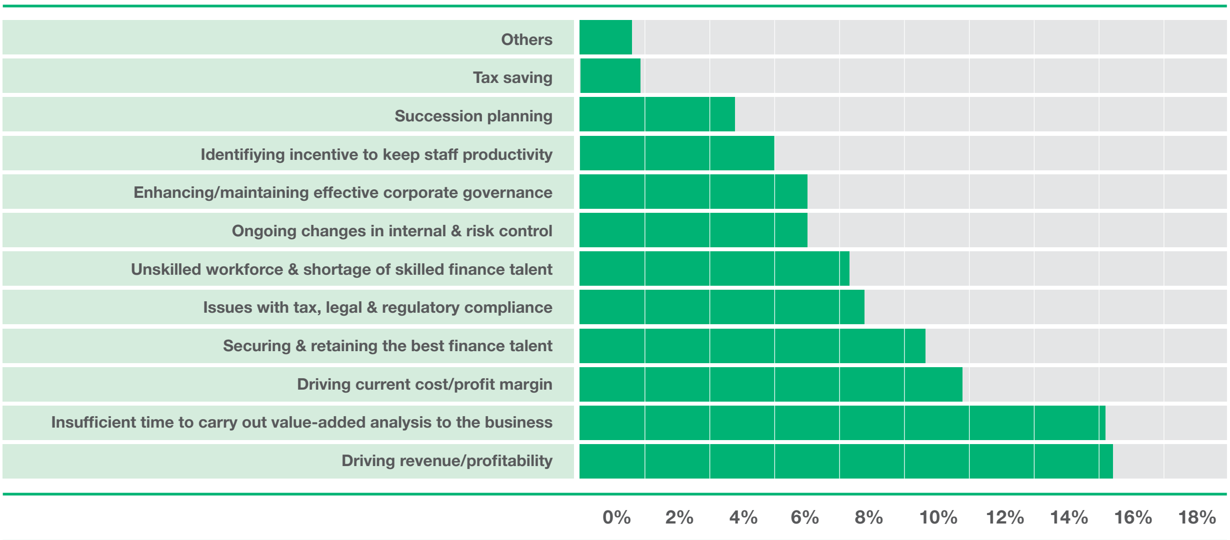
Manage the team during the transition

The success of the transformation of the finance function is highly dependent on having the best finance talent. You need to be able to identify the strengths and weaknesses of each employee and assign them the role that can best utilise their skills and realise their potential.

However, restructuring can sometimes lead to morale or confidence issues among employees as they might be worried about the potential changes they have to face. During the transition period, it is important to maintain clear communication to keep employees engaged and sustain their productivity level.

Chart 1.0

What are the top 3 challenges that might prevent your finance function from excelling as a partner to the business?



20%

of CFOs offered promotions to reward and retain their finance talent

SECURING TALENT PIPELINE AND RETENTION

Having the right talent on the team is one of the keys to effective performance of the finance function. A thorough talent plan set out by CFOs is crucial for the development of a sustainable finance function which can help businesses drive profitability and productivity. CFOs should work closely with their HR team to identify professionals with the potential to be groomed into senior management, and develop strategies to retain them to ensure a healthy talent pipeline in the organisation.

SURVEY RESULTS

When asked which top criteria they would use to assess the potential of their direct reports to be groomed into senior management roles, most CFOs cited ‘soft skills, e.g. communication, problem-solving, leadership, etc’ (26%), ‘ability and potential to innovate and improve processes’ (22%), and ‘current performance and capability demonstrated’ (18%).

Most CFOs (38%) felt that ‘leadership skills’ was an area they would like to see the most improvement in their finance talent. Other areas identified included ‘communication skills’ (22%) and ‘strategic planning’ (17%).

To reward and retain their finance talent, 20% offered ‘promotions’, 16% provided ‘formal development programmes’ while 15% offered ‘informal development programmes, e.g. mentoring’. Only 2% offered ‘job secondment / transfer’.

KEY LEARNING #4

It takes time and planning to groom finance talent into senior management positions

As businesses continue to place more emphasis on innovation and value creation, you will want to have more FBPs on the team and groom them into senior management roles in the long run. However it is difficult to find such talent as good FBPs have to possess a unique combination of thorough understanding of the business, commercial sense, strong soft skills, ability to manage internal and external stakeholders, as well as core technical expertise.

Once you have identified the finance talent who has the potential to be groomed, you would need to put a structured development plan in place and be prepared to invest time and resources to help them improve their areas of weakness. Some of the most common challenges new managers face include:

- **Commercial acumen and understanding of the business**

  It is vital for FBPs to have an in-depth understanding of the business so they can carry out effective business analysis and offer commercially-attuned suggestions. Job rotation and secondments are effective ways to let your finance talent gain first-hand experience of how different business units work as well as the challenges and potential each unit has. Giving finance talent the experience of working in key revenue-generating business units can also help them develop a commercial mindset.

SECURING TALENT PIPELINE AND RETENTION

- **Soft skills**

  Leadership and communication skills were identified as the areas CFOs want to see the most improvement in their finance talent. Create mentoring programmes within the function and assign finance talent to be mentors to give them a taste of leadership responsibilities in an informal setting. Send them to industry events so they can learn from industry leaders and peers as well as gain insights into other companies' best practices. Encourage face-to-face communication and less reliance on emails can help finance talent improve their communication skills.

KEY LEARNING #5

Communication is the key to retain top talent

After investing time and resources in developing your finance talent, the last thing you want is to lose them to other companies or competitors. While it is essential that you pay them a competitive package, career progression often plays a more critical role in retaining the best talent. When career goals are not clearly communicated, employees may have the misperception there is a glass ceiling or lack of opportunities for advancement. Make sure your finance talent is aware of the opportunities they can have both within the finance function and the organisation by showing them a clear and transparent career roadmap.

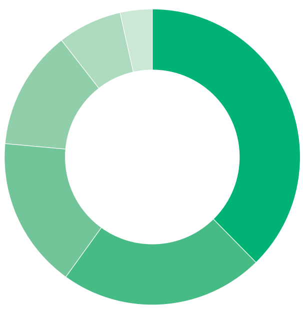
KEY LEARNING #6

Don't forget the other employees

It is often too easy to focus on developing and engaging your future leaders that you somehow overlook the team in non-core functions. It does not mean that these employees are not important and you do not have to put the effort to engage them, as every company needs a good support team. If employees feel that they are being overlooked, they will have a low engagement level and are more likely to quit. There is always a cost associated with losing an employee – from the cost of re-hiring, onboarding, training to a decline in productivity. Keep the engagement level of the non-core finance function teams high by showing appreciation for their contributions, having regular meetings and check-ins as well as engaging with them outside of work to build and strengthen relationships.

Chart 2.0

Which of the following areas would you like to see the most improvement in your finance talent?



38%	Leadership skills
22%	Communication skills
16%	Strategic planning
13%	Functional, job-related skills
7%	Project management
4%	Others

22%

of CFOs would use ability and potential to innovate and improve processes to assess the potential of their direct reports to be groomed into senior management roles

MANAGEMENT OF GEN-Y EMPLOYEES

Generation Y (also known as the Millennials) are born in the early 1980s and later. With numbers estimated as high as 70 million, Gen-Y looks to be the fastest growing segment of today's workforce. Born and raised in a period of economic prosperity, Gen-Y has significantly different needs, desires and attitudes towards their career aspirations compared to the baby boomers. CFOs need to understand what Gen-Y employees value to ensure they are using the right strategies to engage and retain them.

> 31% of CFOs found it very challenging to recruit capable and effective Gen-Y finance professionals

SURVEY RESULTS

When asked how challenging it was for CFOs to recruit capable and effective Gen-Y finance professionals, 66% of them said it was 'somewhat challenging', 31% 'very challenging' while only 4% found it 'not challenging at all'.

When asked what were the top skills and qualities they looked for when hiring Gen-Y finance professionals, 24% selected 'soft skills, e.g. communication, problem-solving, teamwork, etc.', 23% 'personality that fits with your company culture' and 18% 'functional, job-related skills'. Only 8% said they looked for 'work experience and career track record'.

More than half of the CFOs surveyed (66%) expected a Gen-Y finance professional to work for their company for 'one to three years' while a quarter of them (25%) said 'three to five years'.

Most CFOs felt that the main reasons Gen-Y finance professionals left their organisations were 'compensation' (26%) and 'career advancement' (24%). Other reasons identified included 'work-life balance' (14%) and 'self fulfillment / motivation' (12%).

To reward and retain Gen-Y finance professionals, the top strategies employed by CFOs were 'pay-for-performance' (19%), 'promotions' (18%), 'soft / hard skills training' (18%) and 'job rotation between business units' (17%).

MANAGEMENT OF GEN-Y EMPLOYEES

KEY LEARNING #7

Use effective ways to attract and secure Gen-Yers with the right fit

Gen-Yers are often known as the job hoppers. While it might be true that some switch jobs every year or two, many CFOs recognised the importance of cultural fit as hiring individuals who can fit in the company culture often results in higher retention rate. Consider using one of the following ways to attract and secure Gen-Y finance professionals with the right personality fit:

- Encourage referrals from current employees as they are familiar with the culture of the company and will be able to refer people with the right fit
- Promote the company culture and specify behavioural requirements in job advertisements to attract like-minded individuals to apply for the position
- Include aptitude test, ask behavioural questions and invite candidates to spend informal time with current employees in social settings as part of the recruitment process to evaluate for cultural fit

KEY LEARNING #8

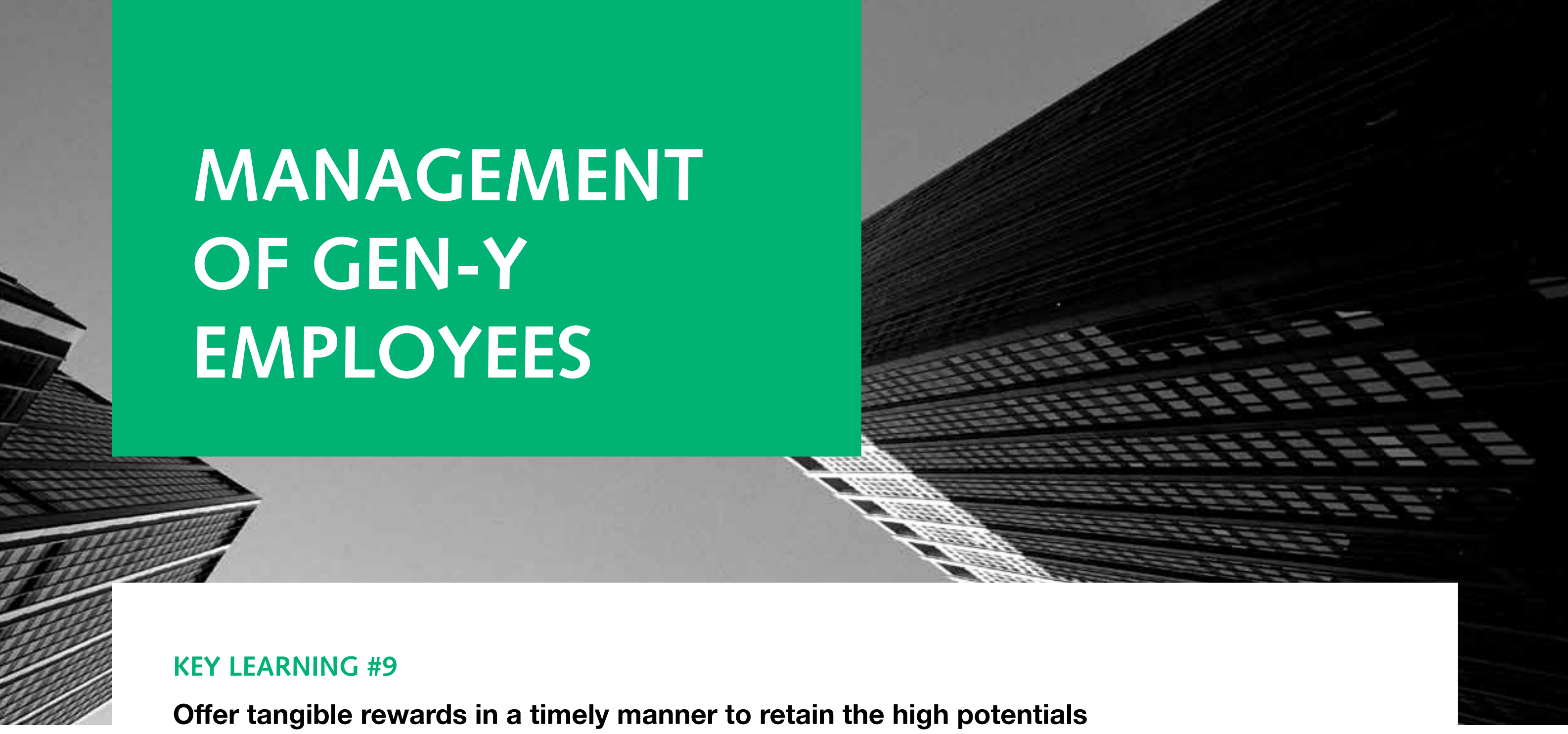
Make use of their traits

As people from different generations grew up in different environments, they tend to bring different traits and skills to the organisatons they work in. Gen-Y professionals are best characterised as technologically savvy, innovative, and comfortable with – or even eager for – change. These traits are highly valued in the finance function, particularly in the launch of new and innovative projects to improve operational efficiency.

Make sure you have a comprehensive induction plan to get Gen-Y finance professionals up to speed as soon as possible the moment they come on board. This can be achieved through a couple of ways, for example, formal trainings to enable them to learn essential skills and systems; on-the-job training and shadowing to understand key business processes as well as build rapport with the team; and a mentoring programme to help them adapt to the new environment.

Upon completing their induction, these new starters can be assigned specific tasks that cater to their strengths and allow them to contribute almost immediately. For example, they can team up with senior colleagues to carry out value-added analysis to the business, where the results and conclusions drawn could be a combination of fresh insights from the Gen-Y employee and the experience of the senior employees. As Gen-Y finance professionals are more comfortable with technology and change, they can also contribute by taking lead in tech-related projects such as finance system upgrades.

Don't forget to schedule regular progress review and give feedback to ensure Gen-Y finance professionals know the progress they have been making and the areas they need to improve on.



MANAGEMENT OF GEN-Y EMPLOYEES

KEY LEARNING #9

Offer tangible rewards in a timely manner to retain the high potentials

Compensation and career advancement are the top two reasons why Gen-Y finance professionals leave an organisation, and most of them are expected to stay in the company for one to three years. They are highly goal-driven and always looking for opportunities for rapid advancement, both in terms of money and career progression. Hence it is important that you offer tangible rewards to high potential Gen-Y finance professionals in a timely manner before they become impatient and start seeking new opportunities. Key areas where CFOs should focus on include:

- **Compensation**

  Benchmark your salary level against market research and conduct regular salary review to ensure your remuneration packages are in line with market rates. Offer performance-based bonus to incentivise and reward outstanding performers.

- **Career advancement**

  You should provide your Gen-Y finance talent with a clear roadmap outlining the career advancement opportunities, along with the time it will take for them to be promoted. You should also communicate any training and development plans that will be provided so they know how they can progress to the next level.

  Should they require specific professional qualifications to secure the promotion, you could also consider offering sponsorships and study leave to support your Gen-Y finance talent to achieve the relevant qualifications.

  Some Gen-Y finance professionals are not only looking for a better title, they are also keen to gain different exposure. Opportunities for internal mobility, such as job rotation between business units and secondment to overseas offices, are highly appealing to Gen-Y employees.

MANAGEMENT OF GEN-Y EMPLOYEES

KEY LEARNING #10

Use intangible means to increase engagement

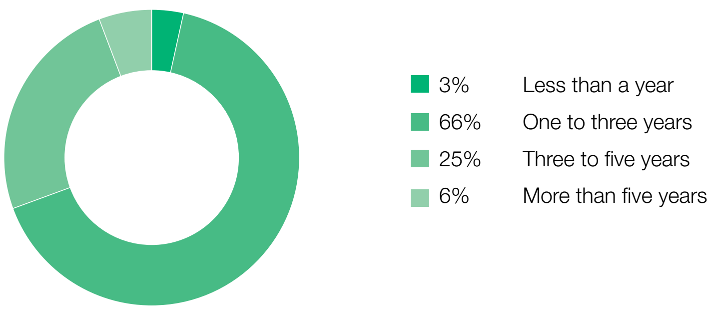
Work-life balance and self-fulfillment/motivation were also cited as two of the key reasons why Gen-Y finance professionals leave their jobs. According to research, Gen-Y tends to have different workplace expectations, and generally will prioritise their personal life over work. They are seeking jobs that are meaningful and challenging, but yet allow them to have more flexible schedules and a better work-life balance.

In order to keep Gen-Y finance professionals engaged, employers can consider the following strategies:

- Build a culture of appreciation by encouraging line managers and employees to recognise each other's accomplishments. This can be done through developing initiatives such as employee-of-the-month programme
- Foster a culture of healthy work-life balance, such as offering corporate gym membership, allowing employees to take time-off to compensate for overtime work, and increasing the number of annual leave entitlement
- Create an engaging and fun work environment, such as using open work spaces, providing free food and drinks, and organising social events and office parties

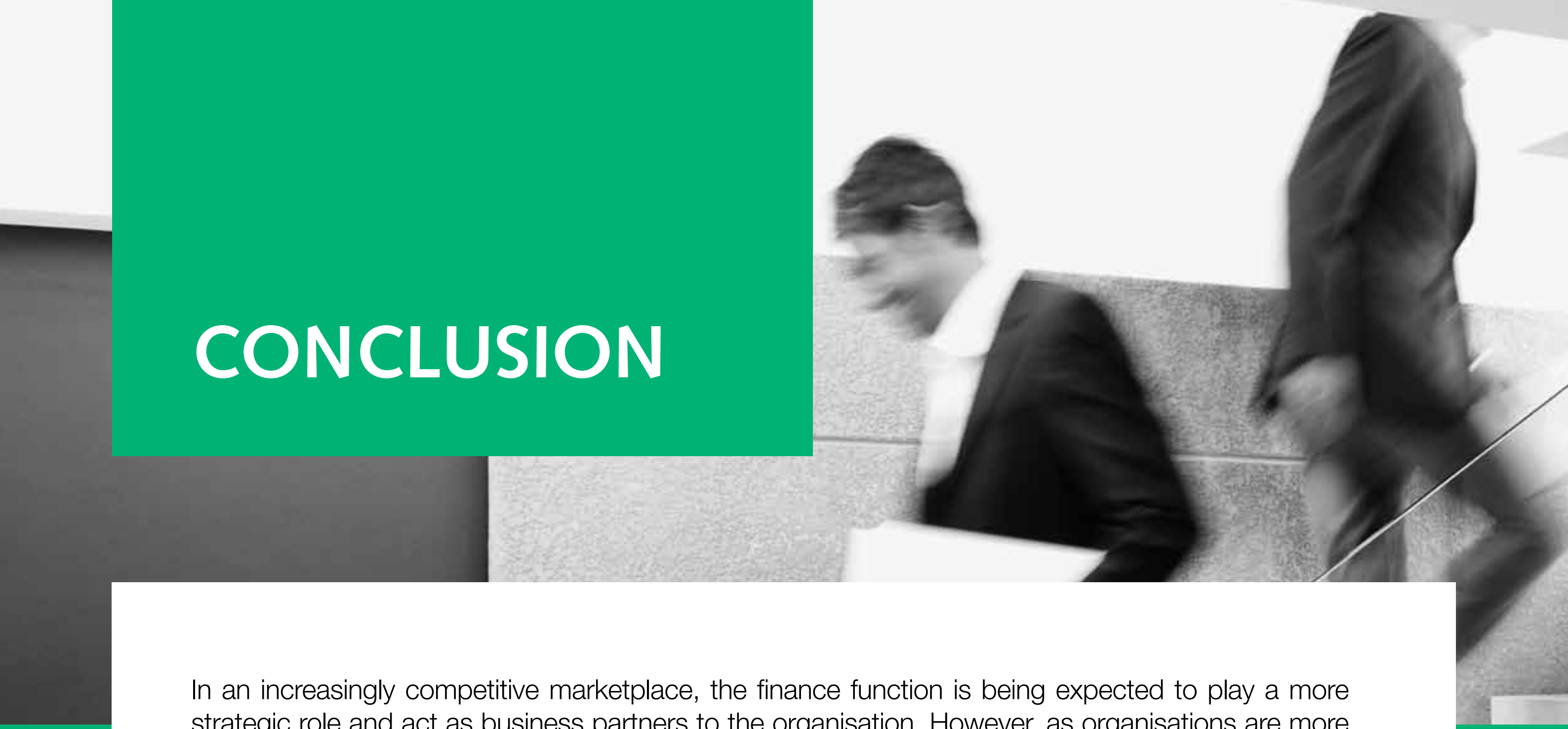
Chart 3.0

How long do you expect a Gen-Y employee to work for your company?



26%

of CFOs said compensation was the main reason Gen-Y finance professionals left their organisations



CONCLUSION

In an increasingly competitive marketplace, the finance function is being expected to play a more strategic role and act as business partners to the organisation. However, as organisations are more cautious about cost and adopt the 'more-for-less' approach, there is a need to redesign and upskill the finance function to ensure everyone is in a role that best utilises their skills.

From recruiting Gen-Y finance professionals to grooming the best talent on your current team, ensure you understand their strengths and weaknesses and put the most suitable development programme in place. Communication is the key to retaining your best talent - show them the career roadmap and the opportunities they can have within the organisation.

Hiring the individual with the right cultural fit and having them on the right seats can make a huge difference to the effectiveness of the finance function, and greatly facilitate the transformation of the finance function to become a strategic partner to the business.

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