



ROBERT WALTERS GREATER CHINA CFO REPORT
FILLING THE SKILLS GAP IN THE FINANCE FUNCTION

ROBERT WALTERS



INTRODUCTION

Today's finance function is expected to perform a much broader role and support strategic decision-making as a result of an evolving market landscape and changing expectations from the business. In order to work as an effective partner and advisor in the organisation, the ideal finance professionals should be commercially astute, possess an in-depth understanding of the business and have the ability to influence various stakeholders, in addition to having solid technical accounting and finance knowledge.

However, as finance was traditionally a back office function, it is often difficult to find talent with such combination of skill sets. This leads to a question that many CFOs have – what is the best way to fill the skills gap in the finance function?

We hope to provide insights into this question in the second edition of the Robert Walters Greater China CFO Report, in which we explore issues including: skills and qualities finance professionals need to develop to work as a successful business partner, main reasons why CFOs prefer to fill the skills gap by internal upskilling and external hiring, as well as best practices in developing the current team and effective ways to expand the talent pool.

METHODOLOGY

To compile this research, Robert Walters surveyed over 550 senior finance executives across China, Hong Kong and Taiwan in October 2015.

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OVERVIEW

45%

of CFOs rate their current finance function as having moderately adequate skills and capabilities to work as a successful business partner

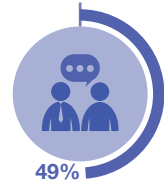
Top three skill gaps in the finance function



Critical-thinking and problem-solving skills

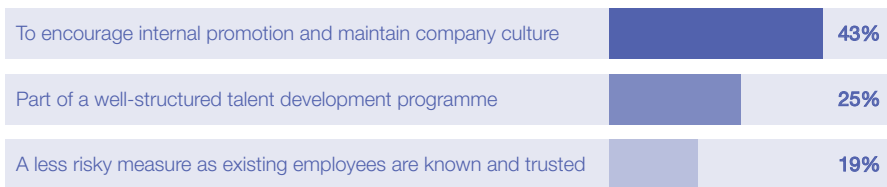


Commercial aptitude



Persuasion and influencing skills

Main reasons behind CFOs' preference for internal upskilling



72%

of CFOs prefer to fill the gap by upskilling the current team

Most effective ways to help the current team upskill



Mentoring and coaching

84%



Job rotation and placements

75%



Internal training

62%



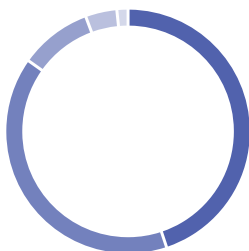
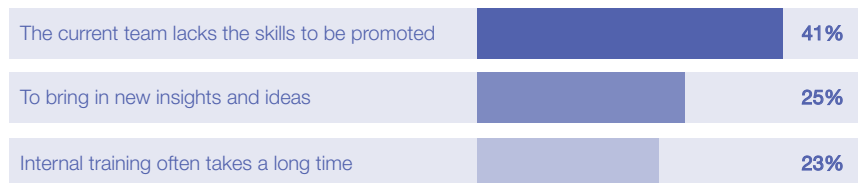
Facilitating access to CPD opportunities and resources

44%

25%

of CFOs prefer to fill the gap by hiring externally to bring in the skills required

Main reasons behind CFOs' preference for external hiring



To what extent can CFOs find good talent externally in their local market?

- 42% To a fairly large extent
- 40% To a moderate extent
- 13% To a large extent
- 4% To a small extent
- 1% Not at all

How can CFOs expand the talent pool?



3 in 4

CFOs would consider professionals with no relevant industry experience



1 in 4

CFOs would consider candidates with no accounting and finance background

WHERE ARE THE SKILL GAPS IN THE FINANCE FUNCTION?

Accounting and finance professionals were often called ‘bean counters’ in the past, but this is no longer the case with the ever-changing needs from the business. In addition to bookkeeping tasks, the finance function has evolved into a business partnering role by providing strategic advice and supporting commercial decision-making.

It is clear that finance professionals these days need to have a broader skill set in addition to the technical know-how. However, almost half of CFOs (45%) consider their current finance function to have only moderately adequate skills and capabilities to work as a successful business partner. In order to improve finance function effectiveness, it is essential to identify where the gaps are.

Critical-thinking and problem-solving skills

Over half of CFOs (52%) feel that critical-thinking and problem-solving skills are the key areas that their finance function needs to develop to work effectively as a finance business partner (FBP). With advancements in technology and the increasing popularity of big data, the ability to distill useful insights from the large amount of data is where finance can truly add value. In order to do so, finance professionals need to think critically and know how to ask the right questions, be able to identify problems from discussions with the business and propose solutions to resolve the issues.

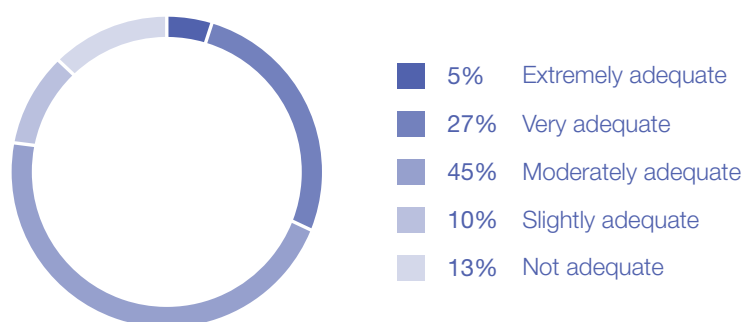
Commercial aptitude

Commercial aptitude is another area CFOs find lacking in their current finance function (51%). As finance is expected to act as a facilitator of growth, they have to do more than just reporting the numbers, but be able to convey the meanings behind them. Finance professionals need to keep abreast of market developments, as well as consider issues from a commercial perspective to steer business decisions effectively.

Persuasion and influencing skills

Some CFOs also think their finance function lacks persuasion and influencing skills (49%). In order to work as effective FBPs, finance needs to work closely with different business units and be able to present findings and ideas – which might involve a lot of numbers and data – in layman’s terms to gain buy-in. This is particularly important if the conclusion finance arrives at is different from that of the business, as the way information is presented can greatly affect how the message is perceived.

Chart 1.0 - To what extent does the current finance function have the adequate skills and capabilities to work as a successful business partner?



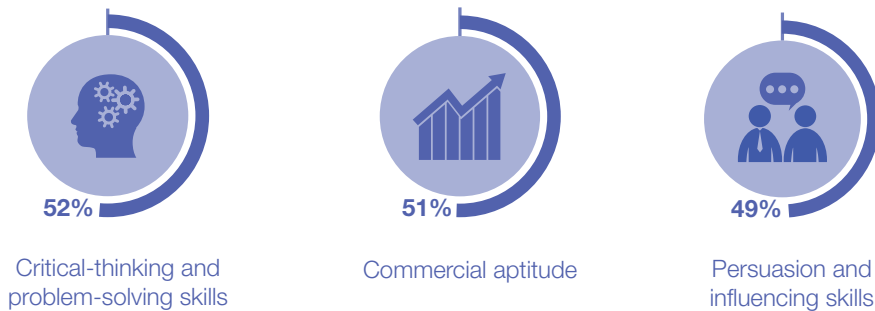
WHERE ARE THE SKILL GAPS IN THE FINANCE FUNCTION?

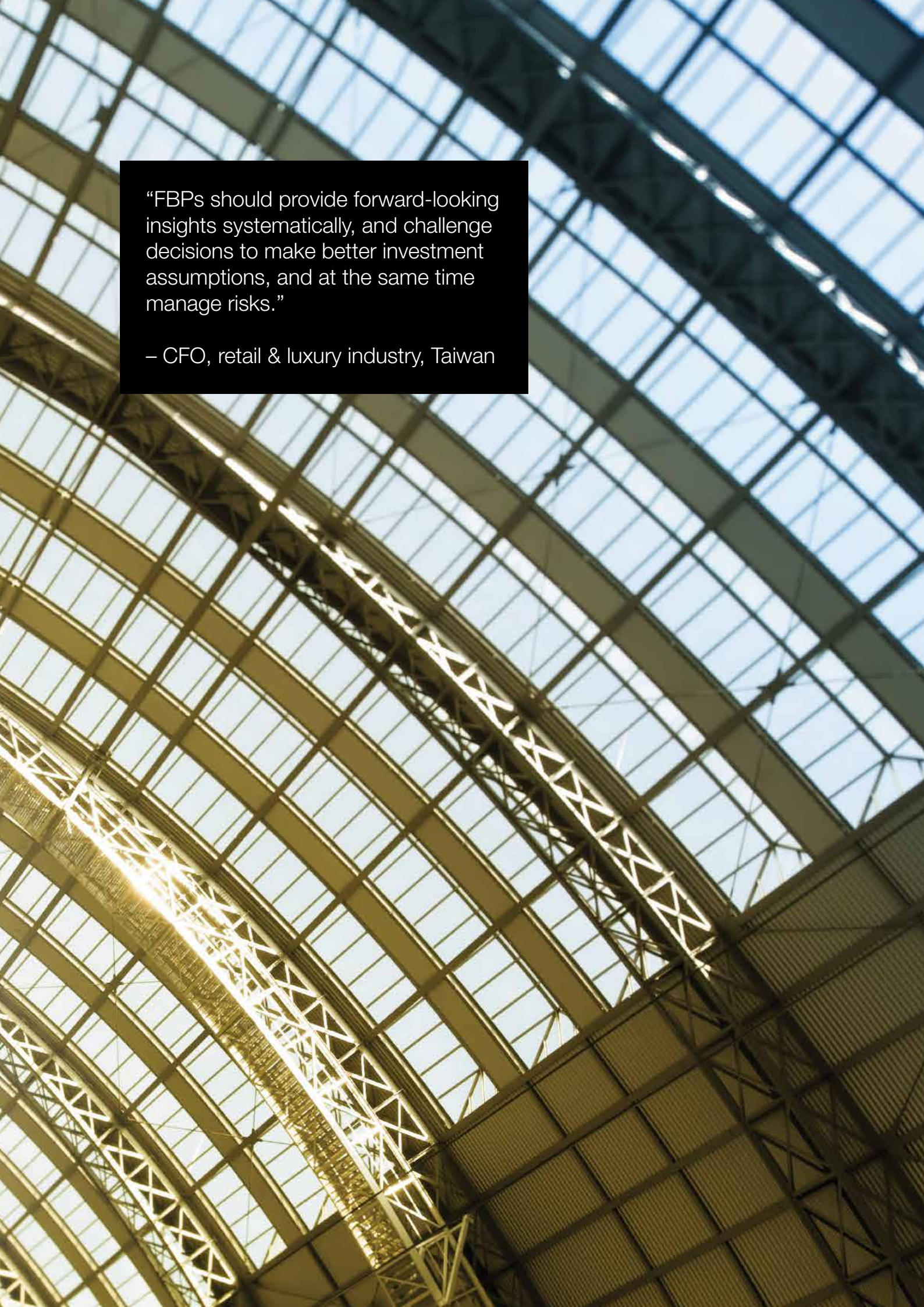
Opportunity to be involved in decision-making

Although there are areas that finance professionals need to develop to become an effective partner to the business, it is encouraging to see that over half of organisations (57%) are already providing finance adequate opportunity to become actively involved in strategic commercial decision-making. This shows that companies acknowledge and embrace the value finance can bring to the business. CFOs are recommended to remove the operational tasks from those assigned as FBPs to allow them to focus on strategic analysis.

For CFOs who feel that their organisations do not give the finance function enough opportunity to be involved in commercial decision-making, they should spend more time with the business and highlight previous success examples to explain the value finance can bring. CFOs should also work together with the business to find out where finance can best add value and agree on the areas of focus.

Figure 1.0 - Top three skill gaps in the finance function





“FBPs should provide forward-looking insights systematically, and challenge decisions to make better investment assumptions, and at the same time manage risks.”

– CFO, retail & luxury industry, Taiwan

WHY DO ORGANISATIONS PREFER INTERNAL UPSKILLING?

There are various ways for organisations to address performance gaps in their business functions. 72% of the CFOs we surveyed regard upskilling the current team as their top preference when they have to fill the gap. Understanding the reasons and benefits for internal upskilling can help CFOs decide the best way to address the issue.

To encourage internal promotion

Encouraging internal promotion and maintaining company culture (43%) is a key reason behind CFOs' preference for internal upskilling over other options. As professionals place a high emphasis on career progression, recognising top talent within the team and giving them broader responsibilities can help to retain them. It also sends a message to other employees that loyalty and performance are rewarded, which can boost staff morale and encourage others to work hard to earn the promotion.

Groom talent and become an employer of choice

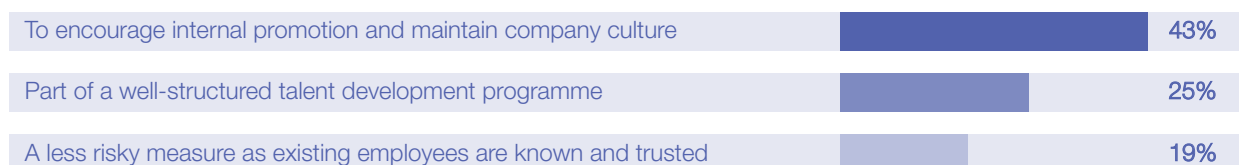
Having a well-structured talent development programme in place to groom talent internally (25%) is another main reason why CFOs prefer to upskill their current team. Organisations are placing increasing emphasis on talent development and many have invested a lot of resources in developing such programmes. This helps to demonstrate the company's commitment to growing their employees, build and reinforce the image of being an employer of choice and attract more top talent to join in the future.

Existing employees are known and trusted

Internal upskilling is also seen as a less risky measure as existing employees are known and trusted (19%). CFOs can refer to previous appraisals and performance records to understand the strengths and weaknesses of the staff, making it easier to make the best use of their skill sets. As existing employees are familiar with the company and its culture, there is also a lower risk of poor cultural fit or mismatch of expectations.

72% of CFOs prefer to fill the gap by upskilling the current team

Chart 2.0 - Main reasons behind CFOs' preference for internal skilling



HOW CAN ORGANISATIONS UPSKILL THE CURRENT TEAM?

When asked to rate how effective their organisation's current training programme on leadership and communication is, 45% of the CFOs we surveyed only gave a score of 5 or 6 (with 10 being the highest). This shows that there is clearly room for improvement in this area - what do CFOs regard as the most effective upskilling measures?

Mentoring and coaching

Mentoring and coaching are considered by the majority of CFOs (84%) as the most effective method to upskill their team. This approach is particularly effective in helping finance professionals enhance their soft skills. By shadowing senior finance executives, they can learn how to better communicate with and influence stakeholders. CFOs should be prepared to make time in their schedule to mentor their staff. They should also give the team more opportunities to get involved in decision-making and problem-solving on a day-to-day basis to empower staff and help them build a sense of accountability.

Job rotation and placements

Another popular measure for internal upskilling is job rotation and placements (75%). By rotating professionals to work in different business units, they get the chance to work closely with the business to understand their operations and challenges as well as identify areas of opportunities and improvements. This can also enhance the finance function's ability to approach issues from a commercial perspective, and further their knowledge of the business and the market.

Internal training

62% of CFOs would opt for internal training to upskill their team. This can take various forms – such as classroom-based seminars, workshops and informal lunch sharings – and is often the preferred method when there are areas of technical skills that need to be improved.

The importance of working with HR

As there are different approaches internal upskilling can take, it is important for CFOs to work closely with the HR function to develop tailored programmes for each individual and ensure that the plans are aligned with the goals of the managers and functions. The HR department can also help to establish a comprehensive performance management system to review progress and decide next step.

Figure 2.0 - Most effective ways to help the current team upskill



Mentoring and coaching

84%



Job rotation and placements

75%




Internal training

62%



Facilitating access to CPD opportunities and resources

44%



“A true FBP is someone who is able to bring the insight and reality of numbers to the business managers in a candid and easy-to-understand manner, and able to involve in and influence the thought-process and decision-making.”

– Regional Head of Finance,
manufacturing industry, China

WHY AND WHEN TO OPT FOR EXTERNAL HIRING?

Although many CFOs prefer to fill the gap by internal upskilling and it is a good way to groom employees and boost staff morale, sometimes it is necessary to hire externally to bring in the skills required. 25% of the CFOs we surveyed opt for external hiring as their top preference to address the skills gap.

The current team lacks the skills

The top reason why CFOs prefer external hiring is because the current team lacks the skills to be promoted (41%). CFOs should perform a thorough assessment of the team to evaluate if employees have the potential to be trained for the skills needed. If the organisation is expanding into a new business area, hiring externally can also offer the company access to a wider choice of skilled candidates who already possess such know-how.

Internal training takes too long

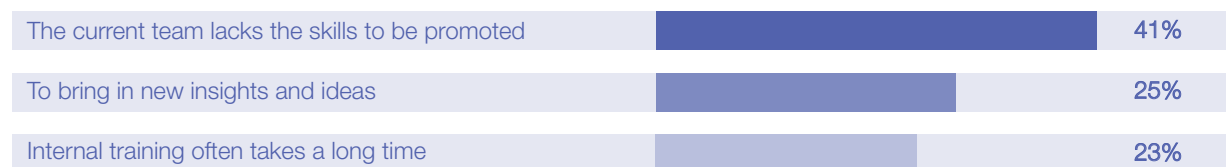
Some CFOs also feel that internal training might take a long time before results could be seen (23%) and it is more efficient to hire external talent that is already trained. This is particularly applicable for positions that require niche skill sets as internal training could involve a significant investment of time and money, and the person being trained might not be able to deliver to the level of performance expected quickly.

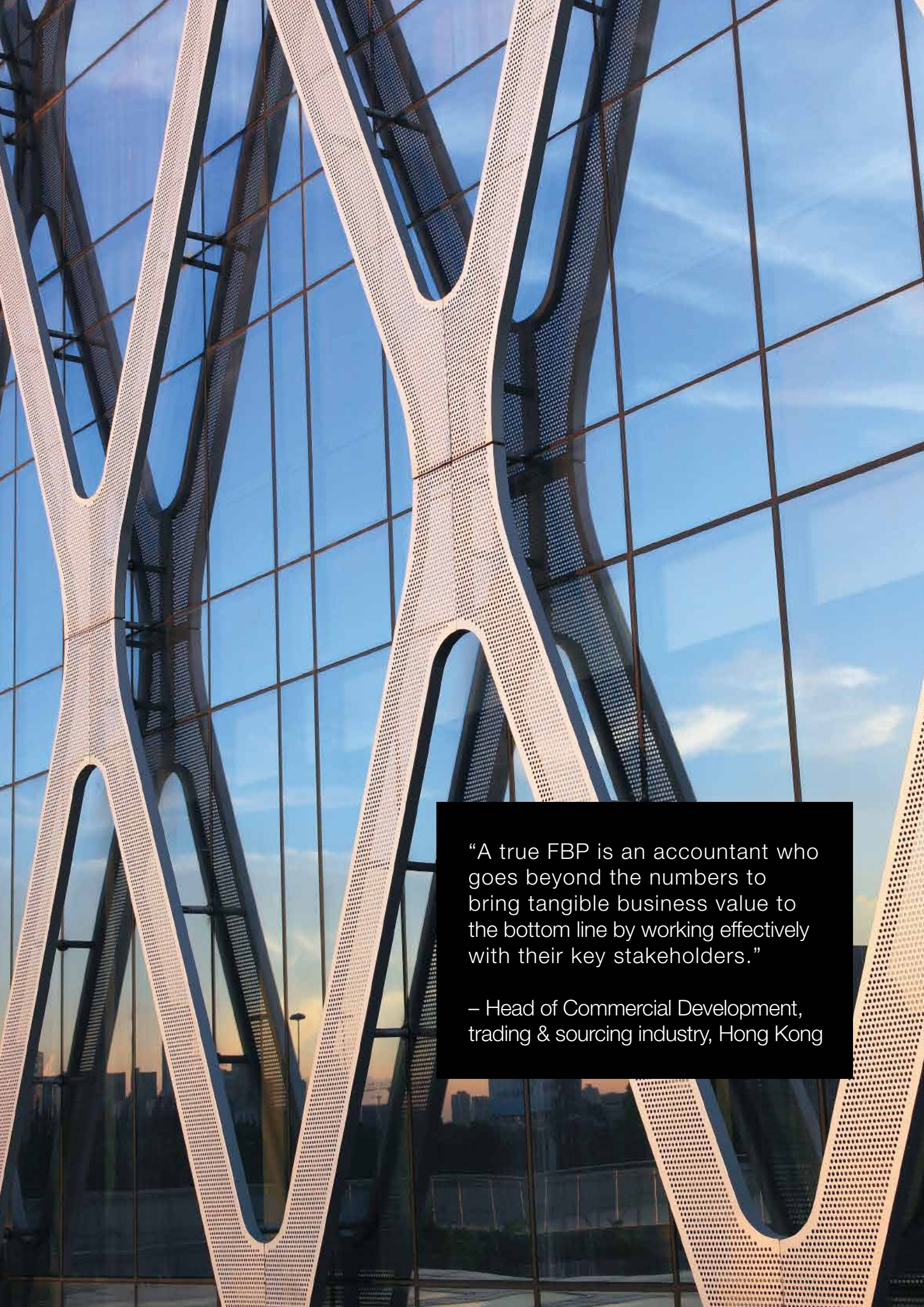
The need for fresh perspectives

It can also be the case that the current team has stagnated and hiring external talent can bring in new insights and ideas (25%). Hiring from outside can bring in a fresh perspective as professionals with different experience and backgrounds have insights into other companies or industries' practices. A new employee can also ask questions that the current team might not have noticed and stimulate discussion and process improvements.

25% of CFOs prefer to fill the gap by hiring externally to bring in the skills required

Chart 3.0 - Main reasons behind CFOs' preference for external hiring





“A true FBP is an accountant who goes beyond the numbers to bring tangible business value to the bottom line by working effectively with their key stakeholders.”

– Head of Commercial Development,
trading & sourcing industry, Hong Kong

HOW CAN ORGANISATIONS EXPAND THE TALENT POOL?

There is intense competition for talent as every organisation strives to hire the best professionals to help them stay ahead in an increasingly competitive business environment. 40% of CFOs believe that they can find good external talent in the local market to a moderate extent – is there anything companies can do to expand the candidate pool?

40% of CFOs believe they can find good external talent in the local market to a moderate extent

Look outside your industry

Industry experience is often a preferred, if not mandatory, requirement when organisations hire as professionals from the same industry can bring relevant insights into the job which can help them settle in quicker. However, times have changed and a majority of the CFOs we surveyed (75%) are open to hiring professionals with no relevant industry experience. This not only enlarges the talent pool, but professionals from different sectors can also bring new ideas into the organisation. When determining hiring requirements, CFOs should focus more on the transferable skills candidates can bring to the role.

Consider candidates with no accounting and finance background

Although most CFOs are open to hiring professionals without relevant industry experience, not many are willing to consider candidates with no accounting and finance background (23%). While it is necessary to have professionals with solid accounting training to perform the technical tasks, someone with an IT or research background might have better data analysis skills, while those with an engineering degree are often highly strategic and logical problem solvers. It is worth considering candidates who have demonstrated strong analytical and quantitative skills, and support them to achieve relevant technical qualifications or provide them with on the job training. Having individuals from different backgrounds and experiences can help to fulfill the expanding roles and responsibilities of the finance function.

Assessing talent during the interview

If the company has decided to hire externally to fill the skills gap, it is important to have a comprehensive and effective assessment system to find the best fit for the position. Discussion of previous experience (77%) and behavioural interview (71%) are the two most preferred methods used by CFOs to assess their potential finance managers. The use of case study (44%) is also a common practice, while presentations (20%) and psychometric tests (15%) are used relatively less.

A combination of different assessment methods can help CFOs find out more about the candidate's technical skills, relevant experience and growth potential. The popularity of discussion-based interviews shows that CFOs are keen to learn about the candidate's career aspirations, personality and the way they approach and solve problems. This helps to ensure that the person they hire has the best fit, both technically and culturally, for the job and the organisation.

Figure 3.0 – Is industry experience or technical skills a must?



3 in 4

CFOs would consider professionals with no relevant industry experience



1 in 4

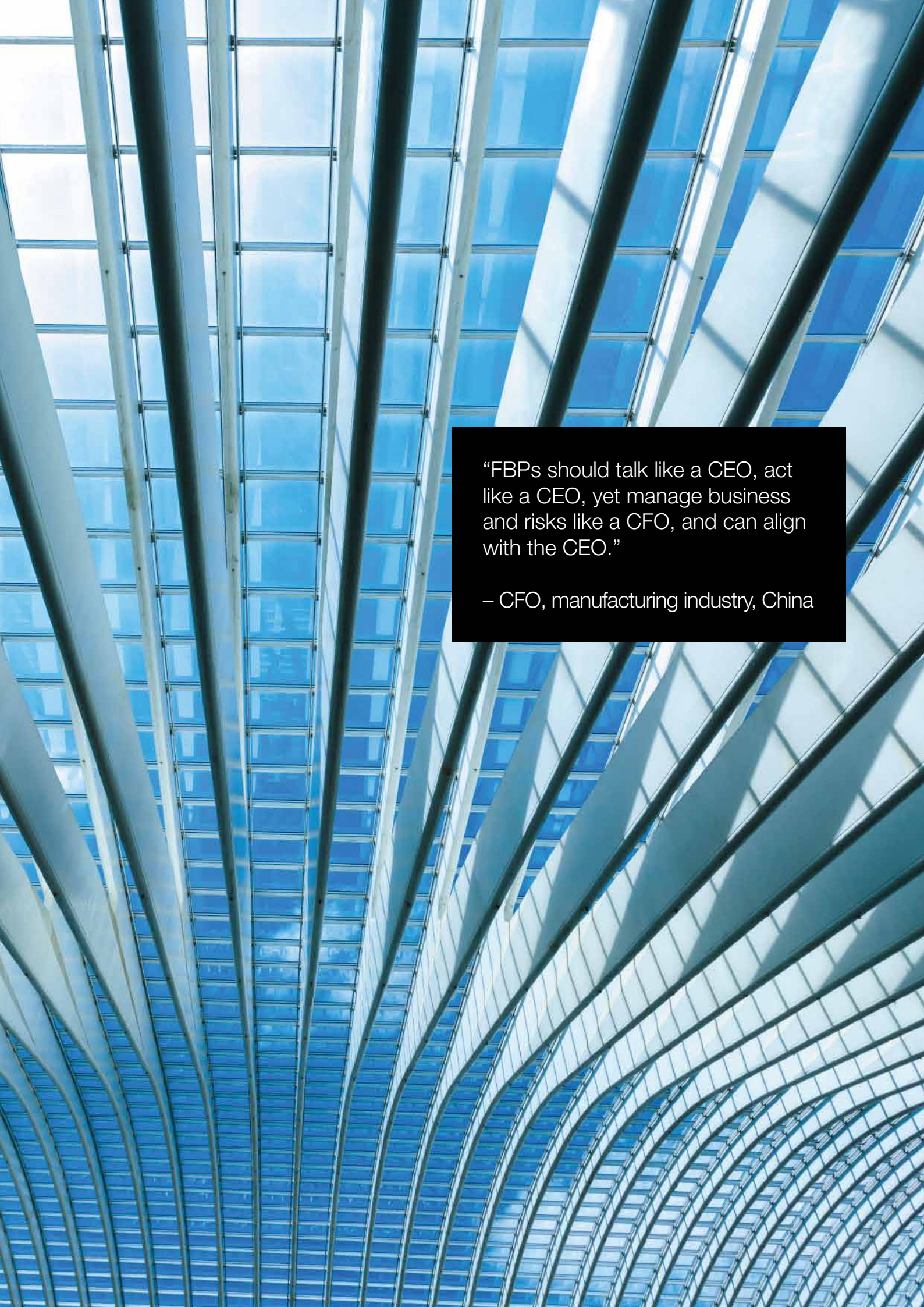
CFOs would consider candidates with no accounting and finance background

CONCLUSION

With increasing expectations from the business, it is more important than ever for CFOs to ensure that the finance function has the right mix of talent to manage a broad range of responsibilities. However, every organisation has different needs and there is no one-size-fits-all approach when it comes to addressing the skills gap within the team. CFOs should work with the HR function to examine factors such as the skills the team needs to improve, the resources available for internal upskilling and the local talent market circumstances, to determine a suitable solution.

If internal upskilling is the preferred method, it is essential to identify the strengths and weaknesses of the individuals in order to develop a tailored plan. When hiring externally, an efficient recruitment process is the key to securing the ideal candidate while a thorough orientation programme can help new hires settle into the role as soon as possible.

Whether it is through internal upskilling or external hiring, or most often a mix of both measures, a good talent retention and succession plan is crucial to the success of building a best-in-class finance function. CFOs should remember that the journey to success does not stop at the moment they find the right person for the job; rather, it starts from there.



“FBPs should talk like a CEO, act like a CEO, yet manage business and risks like a CFO, and can align with the CEO.”

– CFO, manufacturing industry, China

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