Deloitte.

Economist Intelligence Unit | The Economist

The finance talent challenge:

How leading CFOs are taking charge

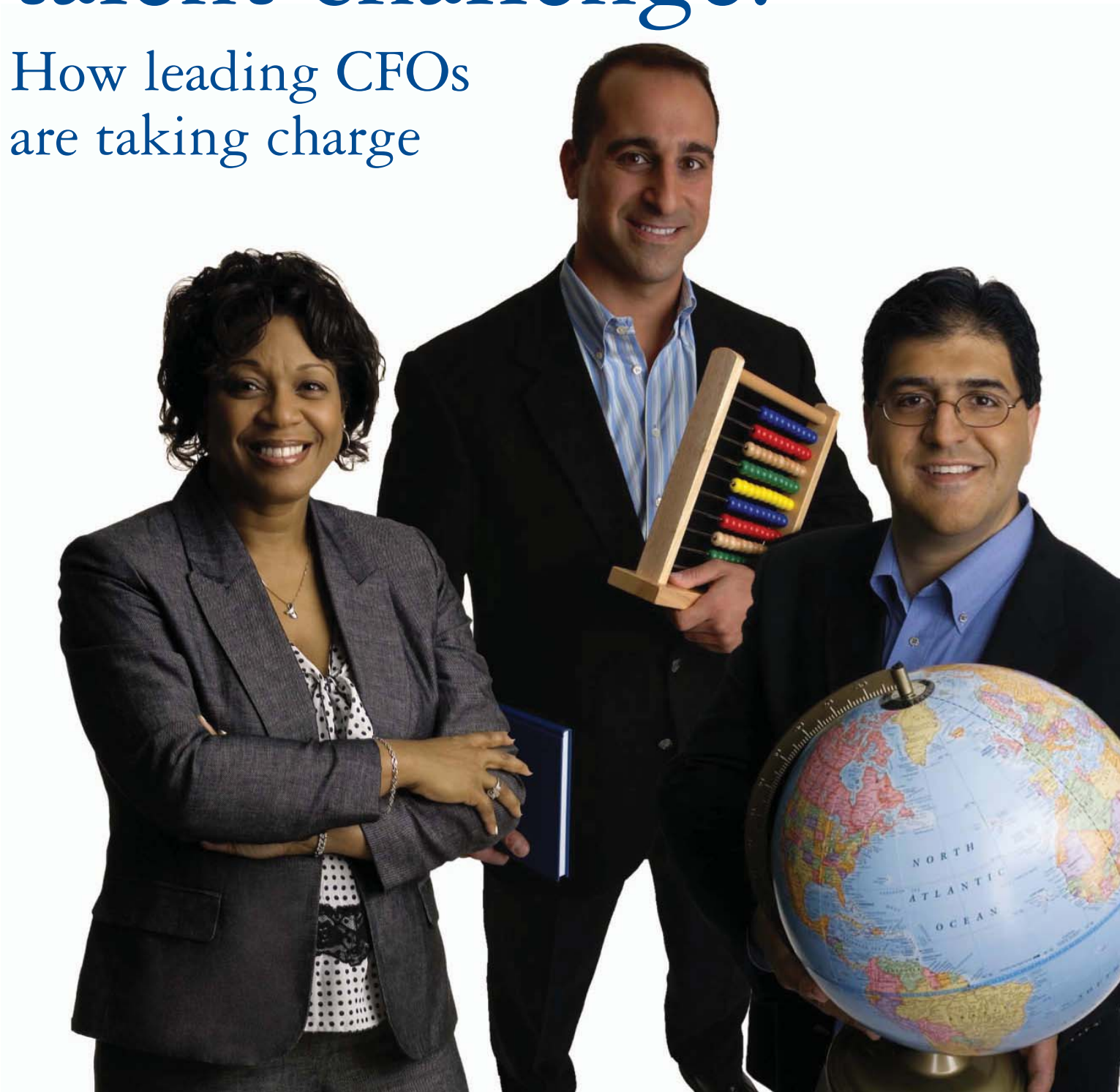


Table of Contents

Preface 1

Executive summary 2

Key findings 3

CFO as strategist and catalyst,
as well as steward and operator 4

Aligning finance with value creation 6

Recognizing the people dimension 7

Taking charge of finance talent 9

Identifying finance talent 11

Attracting, developing and retaining finance talent 14

Deploying talent 16

Conclusion 18

Survey methodology 19

Contacts 21

Preface

The finance talent challenge: How leading CFOs are taking charge was prepared by the Economist Intelligence Unit, in collaboration with Deloitte Touche Tohmatsu (DTT). It draws on quantitative and qualitative research conducted in April-May 2007 with finance executives across industries, and from around the world.

We wish to acknowledge and thank the many people who contributed their time, energy, and intellect to this survey. From the Economist Intelligence Unit: Jackie Wiles, Brian Lee, Nigel Holloway, Carol O'Neill and Christiaan Rizy. To our collaborators at various Deloitte member firms, who took the time to review the work and add their insights:

- Deloitte Consulting LLP Project Sponsors: Sam Silvers, Steven Ehrenhalt, Michael Fucci, and Jeff Schwartz
- DTT Global Finance Transformation Project Advisors: Marcus Boyle (Deloitte MCS Limited), Christoph Greving (Deloitte Consulting GmbH), and Shaz Khan (Deloitte Consulting LLP)
- Deloitte Services LP (Marketing): Jennifer Chico, Michele Ruskin, and Elicia Verderber
- Deloitte Consulting LLP Core Team: Ken Kunkleman, Veronica Fraga, Kim Hart, David Kim, Rachele Kolom, and Kimberly Schultz

Our sincerest thanks go to the survey participants and interviewees for sharing their insights on the issues, including background contributors, who are not recognized by name in this report, but who nevertheless provided an invaluable contribution of thought leadership.

Executive summary

With the collapse of Enron in late 2001, Chief Financial Officer (CFO) Andrew Fastow quickly turned "innovative" into a dirty descriptor for CFOs[1], especially when the Enron debacle was followed by a stream of "creative accounting" revelations across the globe.

Outraged regulators came charging to the rescue of hoodwinked investors, and the die was cast: CFOs would spend the next several years devoting themselves to stewardship. And rightly so. Investors should never have to doubt that what a company reports on its financial performance is the truth, but CFOs have had to work very hard to ensure they can attest to that simple pledge.

Now that the compliance dust is settling, CFOs might have hoped they could breathe a little easier for a while. Not so. The heat is on for CFOs to commit – or re-commit – to value creation.

It is not that CFOs have lost interest in value creation. Far from it. But the attentions of many have been diverted in recent years by their responsibilities as "stewards" – the officers charged with protecting and preserving company assets. Still, evolution is inevitable, and the pendulum is swinging again – putting strategy and value creation at center stage.

Most CFOs recognize the shift, but few have properly prepared their finance organization to evolve with them. The bad news is that the finance organization will not transform by itself. The good news is that every CFO has the power to focus their finance organization on value creation.

The CFO armory essentially contains two key improvement tools: people and process. CFOs are certainly no strangers to process improvement – an endeavor that will continue unabated, as finance seeks continually to optimize operations. But this paper focuses on the people side of the equation – an area that many CFOs have failed to develop effectively.

Specifically, this paper will explore how CFOs can better use a unique breed of finance people who excel in the sphere of value-creation itself. And this paper will demonstrate how some CFOs are taking charge of the people dimension of finance to help maximize the contribution of the finance organization.

Notably, however, our research shows that before CFOs can successfully meet the finance talent challenge, they must take four distinct vows:

- **"I will proactively and deliberately commit finance to creating value."** Most CFOs have now proven their worth as stewards and, to a certain extent, as "operators" – those continually trying to optimize operations. Now, however, many must work to align finance with business direction (work as strategists), and ultimately try to stimulate the organization to achieve goals (be catalysts). CFOs must clearly communicate this evolution to finance, and enable that organization to evolve too.
- **"I will develop a new breed of finance leaders."** CFOs largely recognize the contribution of technically capable finance specialists, particularly after their years spent pursuing the most effective practices in financial reporting and compliance. But the evolution of CFOs to strategists and catalysts requires them to find, use, develop, and deploy a distinct new breed of people in their finance organization – business-savvy generalists, who are likely to become tomorrow's leaders – equally at home in finance or elsewhere in the business.
- **"I will brand finance as a career launcher, and make it so."** CFOs are generally an ambitious and accomplished group. Few have shared the exact same career path, but they all know how certain jobs and experiences have made them better as CFOs. They must provide their own future leaders with similar advancement opportunities, and give them room to excel – even beyond the realm of finance. In short, CFOs must brand finance as a dynamic career, and commit themselves to making that promise a reality.
- **"I will own the challenge of developing value-creating finance people."** CFOs may be tempted to delegate "people issues" – either by handing them off to others or by assigning them a low priority. But individuals who have the potential to excel in a value-driven finance function are very distinctive. CFOs must therefore create a distinctive strategy to characterize them, find them, and deploy them for maximum effect. CFOs cannot delegate this vision, only elements of its implementation.

High-potential value-creators are the CFO's secret weapon, but many CFOs have failed to develop a formal and deliberate strategy for identifying and nurturing this vital set of future leaders. It is time for CFOs to apply their own business savvy to the need to diversify the finance organization, and thus enhance the role of finance in creating value in the company.

Key findings

There is no doubt that chief financial officers (CFOs) – and, by extension, their finance organizations – face an expanding and complex realm of responsibilities. The fall-out from corporate accounting scandals, and resulting regulations like Sarbanes-Oxley, have increased CFOs' responsibilities and accountability. And at the same time, the unyielding pressure of globalization poses a challenge to the entire finance organization, as companies pursue ambitious objectives, according to increasingly compressed timelines.

The question is whether finance organizations are willing and able to assume a more strategic role, and support and nurture the corporate focus on value creation. To find out, DTT, in collaboration with the Economist Intelligence Unit (EIU), launched a research program focused on how CFOs are maximizing the people dimension in their finance function.

The research team carried out an on-line survey of 636 executives from a variety of industries and from around the world – most with a functional responsibility in finance. The EIU also conducted in-depth interviews with several high-profile CFOs to garner additional perspectives around the survey findings.

The results present a vivid picture of the uphill battle many CFOs face to populate their finance organizations with high-potential individuals who can support and partner with them, and the business at large, to help ensure corporate performance is maximized and sustained.

The key findings from the research are as follows:

- **Many finance organizations are ill-equipped to excel in value-adding activities.** Only about 50% of survey respondents believe their finance organization is strong in the competencies needed to align finance with the business (act as strategists), or stimulate the organization to achieve strategic and financial goals (catalysts). When asked which competencies are most often lacking, respondents most often cite those related to the roles of strategist and catalyst, including change management, strategic thinking, critical thinking, and business perspectives.
- **People from Financial Planning and Analysis (FP&A) are highly sought-after as future finance leaders, but these people are among the hardest to find.** FP&A, by virtue of its focus on turning data into actionable intelligence, is an area in which the capabilities of strategist and catalyst tend to be strong, and it ranks first among the functional groups or positions that provide the primary pipeline for the finance organization's leadership. It is also commonly cited as an area of finance in which senior executives have difficulty identifying talent.
- **Branding the company as a career destination for finance professionals is critical for attracting finance talent, but few companies do it well.** Branding tops the list, especially among CFOs (75%), of valuable strategies for companies to use in attracting finance talent, and yet only 33% of respondents agree their own finance organization markets finance as an attractive career option.
- **Many finance organizations fail to capitalize on the graduate pool.** Graduates are an important source of finance talent, but many survey respondents say their finance organization is not doing well at appealing to graduates. For example, 52% of CFOs say internships are a valuable tactic in attracting high-potential students and boosting a company's reputation, but 35% of CFOs (and 38% of all survey respondents) say one of the most significant challenges in attracting talent is that recent graduates don't see their company's finance organization as a career launcher.
- **Career development is critical to high-flyers, and yet many companies keep finance talent from pursuing opportunities outside finance.** Career advancement tops the list of frequently cited reasons that talented finance people give when they quit, but only 46% of respondents agree their finance organization develops finance talent as a routine part of talent management. Furthermore, few (28%) agree finance routinely provides talent with opportunities outside finance, and 38% say their finance organization is reluctant to release talent to pursue opportunities elsewhere in the company.
- **Finance leaders[2] also urge those with CFO ambitions to take deliberate career steps and earn diverse business experience.** The survey shows that finance leaders strongly urge high-flyers to get diverse, practical business experience, and take advantage of a variety of development opportunities – and they are more likely than average to believe finance willingly releases talent to pursue opportunity in the organization at large. In considering the value of specific opportunities, more than 90% of senior finance leaders who underwent rotational finance development programs recommend them to individuals seeking to thrive in a finance organization today. A similar number of those who had international assignments recommend them also.

Who took the survey?[3]

A total of 636 executives from 73 countries participated in the survey, which was conducted by the Economist Intelligence Unit in collaboration with DTT in April-May 2007. Forty-six percent of respondents were based in Europe, 23% in the Americas and 26% in the Asia-Pacific region.

In addition to being global, the survey population represented a range of finance functions, spread across nine major industry segments.

In terms of seniority, 31% were CFOs, Treasurers, Controllers or Regional Directors of Finance. 64% of respondents were aged 30 to 44 and 26% were 45 to 65 years old.

All participants represented companies with revenues of US$1bn or more (except for public-sector respondents), and 67% came from companies with revenues of more than US$3bn.

CFO as strategist and catalyst, as well as steward and operator

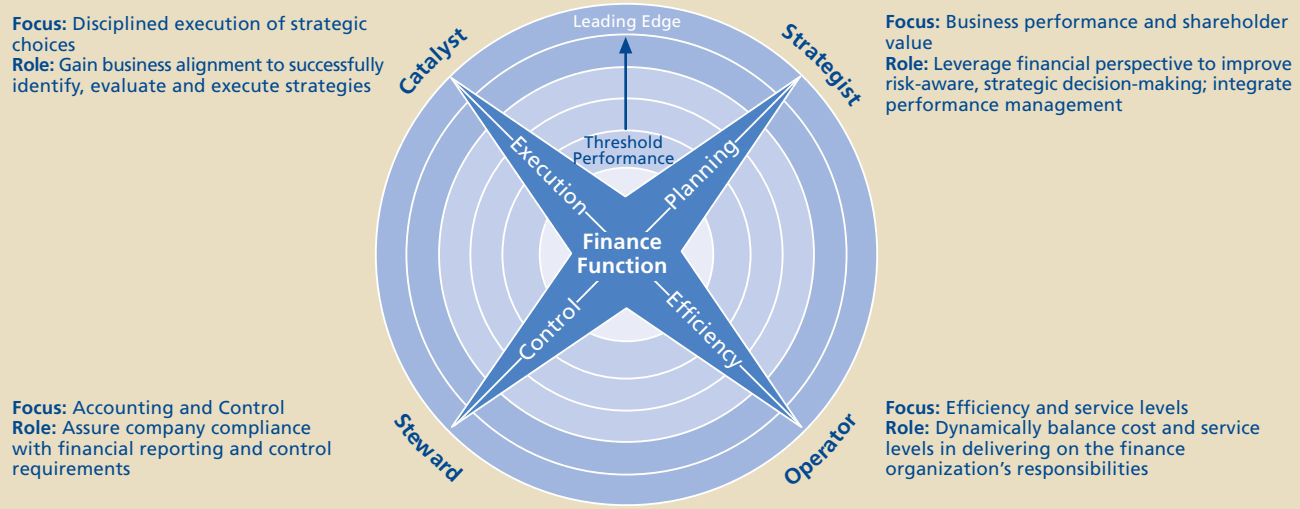
In recent years, most CFOs have been at center stage in their role as stewards, protecting and preserving company assets (see Figure 1, Deloitte & Touche USA LLP's Four Faces of the CFO Framework). Separately, many have also become consummate "operators," balancing capabilities, costs and service levels to fulfill the finance organization's responsibilities. Indeed, the roles of steward and operator are vital and non-negotiable CFO responsibilities and so most CFOs have, rightfully, spent significant time, energy and resources getting them right.

But as CFOs become confident in their abilities as stewards and operators, they should also remember their other responsibilities. In particular, they should focus (or refocus) their attention on value creation. This entails an emphasis on two other roles: strategist, providing financial leadership to determine business direction and align financial strategies; and catalyst, stimulating behaviors across the organization to achieve objectives.

The survey's findings on delegated activities illustrate the shift in the focus of the CFO. Survey respondents were provided with a list of thirteen activities, and asked which ones CFOs have delegated in the last year (see Table 1 on page 5). Among responding CFOs, many say they have delegated a variety of those activities – most of which are typically non-core activities, such as participating on committees. However, CFOs must still be careful not to cede their stake in activities they should own, or at least contribute to, in order to add value to the company.

Forty percent of responding CFOs say they have delegated the task of ensuring alignment between strategic and operational planning in the past year – an activity the value-creating CFO should arguably own outright. And 35% have delegated the identification of business-growth opportunities – a task to which value-focused CFOs should at least contribute.

Figure 1. CFOs have four distinct "faces," but the "strategist" and "catalyst" are critical to value creation



Source: Deloitte & Touche USA LLP, the Four Faces of the CFO Framework – United States (English), 2007. For more information, please visit www.deloitte.com/us/cfocenter.

Significantly, while the shift to value creation is an evolutionary one for CFOs, it is radical enough to require a thorough change in the finance organization. As a result, every CFO should now ask: "How can I successfully move my finance organization beyond its technical capability as a specialist finance function, and into the sphere of effective business partnering?"

Table 1. CFO responses to "Has the CFO of your organization delegated ownership of any of the following activities in the last year?"

Top responses from list of 13 activities	% of responding CFOs	Our analysis of preferred CFO involvement (Not provided to survey respondents)*
Participating on committees	56%	Delegate
Ensuring operational planning process and alignment	42%	Delegate
Ensuring alignment between strategic and operational planning	40%	Own
Sponsoring special finance projects	35%	Delegate
Identifying business-growth opportunities	35%	Contribute
Running non-finance functions (e.g., IT)	31%	Delegate
Sponsoring non-finance projects	23%	Delegate

*Our recommendation is indicative only of the relative importance of these activities in most instances. In practice, it may be essential, for example, for the CFO to own non-finance functions such as IT, or to participate in special committees.

Aligning finance with value creation

It is easy to assume people in the finance organization understand value creation. After all, their day-to-day work revolves around the bottom line. The problem, CFOs concede, is that many finance organizations remain in a vacuum, focused primarily on gathering and reporting the numbers that offer indicators of business health.

Instead, say the CFOs surveyed, the finance organization must interpret the numbers and provide insights in a way the business can use to make value-creating decisions. "If finance is going to challenge business settings and urge changes in business direction, you need data and analytics," says John Stanhope, CFO of Telstra. "Advice, supported by good analytics, is hard to refute – and a decision to change or modify direction happens quickly when it's driven by data, and not just by intuition."

However, CFOs must take deliberate action to enable this focus on value creation. Global health and hygiene company Kimberly-Clark has redeployed some of its business analysts to customer teams – a shift from their traditional focus on product manufacturing. The move, implemented after an exhaustive review of talent and resources, has enabled the company to dedicate a higher percentage of finance headcount to key customers, says Senior Vice-President and CFO Mark Buthman. The shift, he says, is consistent with the corporate strategy's increased focus on customers, innovation, brand development, and marketing.

At global pharmaceutical company Bristol-Myers Squibb, an accounting restatement in 2002 sparked an aggressive review and refocusing of finance. "We set out a vision for the global finance function" – dubbed 'Finance for the Future', says Andrew Bonfield, Executive Vice President and CFO. The vision included initiatives that would help focus finance people "on business risks and opportunities, rather than just going into the detailed number-crunching exercises that organizations tend to like to do. When they're busy producing numbers, they feel safe, but that means they are not looking to see how they can create value."

In the case of Bristol-Myers Squibb, the company even sought to place new emphasis on certain performance benchmarks, bucking the norm in the pharmaceutical industry of just focusing on top-line growth and "focusing finance people on what is meant by return on investment – every dollar spent should get some return," rather than focusing solely on short-term profit growth.

Focusing finance on value creation also requires CFOs to use their skills as operators. "More mundane activities should be standardized, automated – offshored for example – so people can focus on the value-added tasks," says Helen Weir, Group Finance Director at Lloyds TSB. Otherwise, she says, finance people "can spend so much time accessing data, downloading it, formatting it, putting it into spreadsheets, printing it out…that they don't have the time they need for analyzing, reviewing, understanding, interpreting, projecting, forecasting."

Even so, tools and processes will not yield true finance transformation unless employee attitudes are changed – and this requires CFOs to focus on people development.

> "When they're busy producing numbers, they feel safe, but that means they are not looking to see how they can create value."
>
> – Andrew Bonfield
> EVP and CFO
> Bristol-Myers Squibb

Recognizing the people dimension

Although the CFO's role is slowly evolving, many finance organizations need to make more radical changes to ensure that finance people are focused on creating value – and fully support the CFO in all four roles of steward, operator, strategist and catalyst (see page 4).

The survey shows few people doubt the ability of their finance organization to handle the roles of steward (e.g., financial reporting and compliance) and operator (e.g., efficiencies), but fewer respondents report strong competencies in their finance organization in the sphere of strategist or catalyst.

Beneficial competencies are most likely to be lacking

Furthermore, when asked the competencies in which their finance organization is most deficient, respondents overwhelmingly cite competencies associated with the catalyst and strategist parts of the job. Most often cited are change-management skills (necessary for a catalyst) and strategic agility (a must-have for strategists). Of the competencies said to be least lacking, most pertain to the well-established role of steward.

Interestingly, only 10% of survey respondents say the finance organization lacks a drive for results, but that is why, say CFOs, it is critical that the drive be channeled in the right direction.

Table 2. Competencies most often cited as lacking in the finance organization

Top selections of 23 options	Aspect of Finance Role*	% of respondents
Change management	Catalyst	38%
Strategic agility	Strategist	33%
Critical thinking	Strategist	29%
Business perspective	Catalyst	29%
Organizational agility	Catalyst	26%
Dealing with ambiguity	Strategist	25%

*As determined by the research team; not provided to respondents

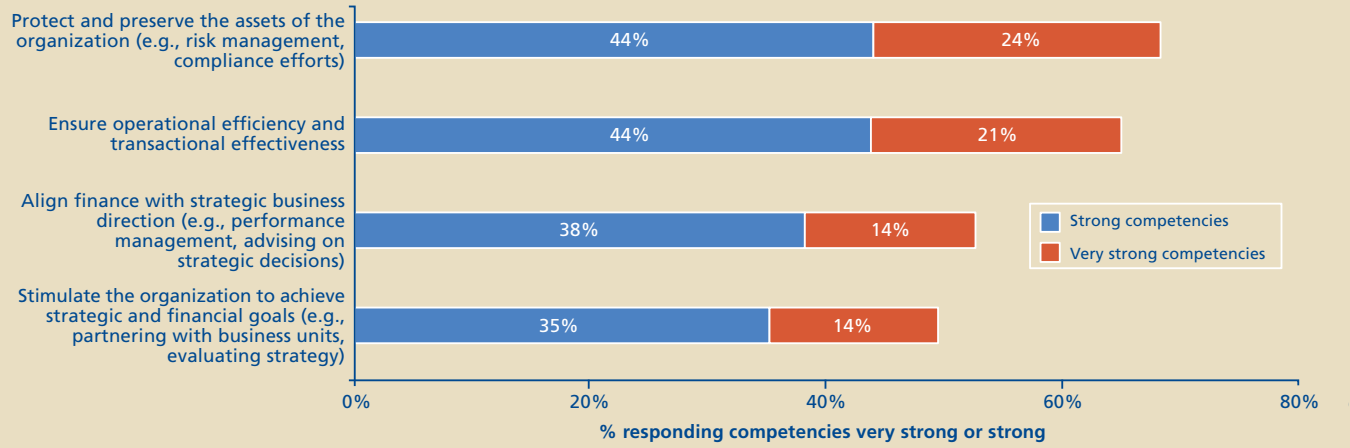
Table 3. Competencies least often cited as lacking in the finance organization

Bottom selections of 23 options	Aspect of Finance Role*	% of respondents
Facilitation	Catalyst	11%
Compliance	Steward	11%
Drive for results	All**	10%
Reporting	Steward	8%
Accounting	Steward	6%

*As determined by the research team; not provided to respondents
**All: Catalyst, Strategist, Operator, Steward

Figure 2. Current competencies in the finance organization

Does your finance organization have the competencies (knowledge, skills, and abilities) to accomplish the following?



The most important message for CFOs, though, is that they must undertake a resource review. Bristol-Myers Squibb built a finance development framework, which set out the different competencies needed in different functional areas within finance, "so we could get people to focus on what their development needs are, and where they need to improve their skills," says Mr. Bonfield. "We discovered technical gaps in individuals, as well as large skill-set gaps in the organization. The finance organization was focused very much on delivering the numbers, not how they delivered them."

Mr. Buthman says, "I don't run a business, but I run an organization that supports the business. It's a form of internal consulting – I'm providing a resource to the organization. We have two assets: information and people. We've spent a lot of time thinking about talent management and resource deployment….to figure out what's the right work to do and what's the right resource to do that work."

Outside catalysts are often valuable

However, finance transformation also requires a change of attitude. "Expecting that shift to happen overnight is not realistic," says Mr. Stanhope. "It takes a while to get people out of their comfort zone. "You've got to spend a fair amount of time talking through what is required, and bringing in people who are capable of doing it is an important energizer."

Indeed, the shortage of available catalyst competencies shown by the survey suggests most CFOs will need to bolster finance with outside people who can stimulate the right behaviors in the finance organization – by introducing a new mentality, as well as helping to liberate insipient skills in existing employees, who may previously have had few opportunities to function beyond the role of finance specialist. Fortunately, base finance skills are often largely fungible, making it possible to hire successfully from other sectors.

"It's very important to bring in new people, because it brings in new thinking and new ideas," says Graham Bartlett, CFO of E.ON UK, the largest integrated energy company in the U.K. "I want people from other industries, where it is more likely they will have looked at different approaches," he says. Mr. Bartlett adds that he has made several successful hires from a variety of industries, enabling the integrated energy company to benefit from lessons learned in other sectors.

"I was quite happy to bring people in from other segments," says Mr. Bonfield, who noted his own prior experience from the oil and gas was valuable in pharmaceuticals because the two industries share a similar cash flow curve – large upfront development costs and depleting assets.

Mr. Stanhope of telecom giant Telstra says, "It may be an advantage if they come from the same industry, but I've hired from overseas mobile operators, and [one of my senior team] learned his analytical skills being an equity analyst, and building models around industries including telecoms."

Ms. Weir of Lloyds TSB says she too has deliberately sought to hire from other industry segments, and has tapped people from various segments, including communications, media, and retailing. "I look for people who've had different experiences, but who have had that commercial experience, and who are good at understanding what makes a business tick," she says.

In short, whether the finance-organization catalysts come from within or outside the company, they represent a distinct breed, whose specialty is as much business as finance – and they are valued more for their commercial approach and less for their technical skills.

For CFOs, the need to find and deploy these business-minded generalists requires planning – and less reliance on the kind of finance professionals they may have recruited in the past.

> "I want people from other industries, where it is more likely they will have looked at different approaches."
>
> – Graham Bartlett
> CFO
> E.ON UK

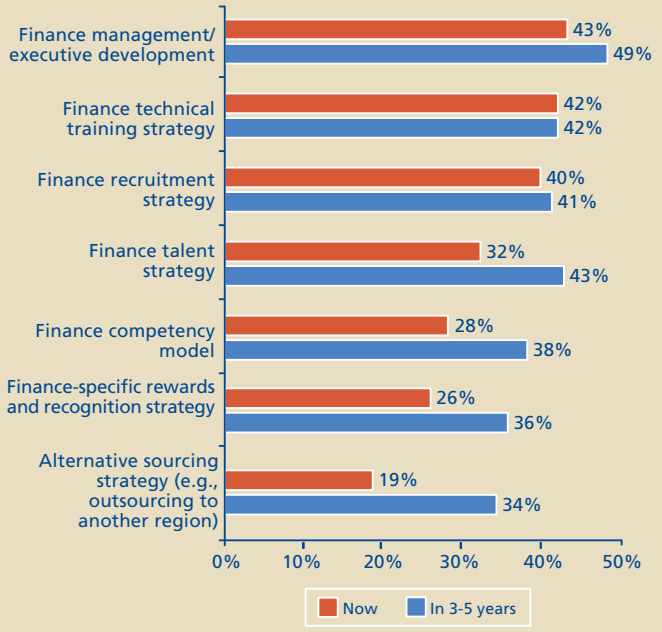
Taking charge of finance talent

The irony for CFOs is that many companies already have programs to identify, recruit, and develop key contributors to the company. These key people are generically referred to as talent, but CFOs must be deliberate in defining what finance talent looks like, where to find it, and how to deploy talent to reap the maximum benefit for finance, for the company, and for the individuals themselves.

The survey results show few finance organizations have developed proactive or innovative strategies to attract, develop and retain talent. In fact, only about one-third of respondents say they already have a finance recruitment strategy or a finance talent strategy already – although this number is expected to be slightly higher in 3-5 years.

The greatest change in the use of talent management programs in the future is expected to be the rising use of an alternative sourcing strategy. However, companies are likely to be disappointed if they expect to avoid a talent shortage by hiring from other regions.

Figure 3. Talent management programs now in place within the finance organization vs. those expected to be in place in 3-5 years



Alternative labor sourcing may not be an option

The survey shows many companies are already facing a shortage of high-potential individuals who are likely to excel in finance. Moreover, the talent supply is more often cited as limited among those located in the Asia-Pacific region (67% say it is limited or inadequate) and in Eastern Europe (63%), both of which are critical sources of alternative labor supply for large global companies.

The shortage of talent is expected to abate somewhat in the future, but more than half of all respondents based in the Asia-Pacific region, Eastern and Western Europe nevertheless expect the talent supply to be limited or inadequate in 3-5 years time.

Amid the supply tightness, 37% of survey respondents say their finance organization is barely able to meet its current demand for finance professionals, and 5% say they are actually unable to meet that demand.

Fewer respondents expect to be barely able or unable to meet their demand for finance professionals in 3-5 years, but more than one-third still say their finance organization will be challenged to meet their needs in 3-5 years time.

CFO respondents say, however, that the shortage of experienced, high-quality accountants probably makes it harder to hire those specialists than to recruit the candidates who want to be business partners – but CFOs must be especially deliberate in identifying talent in the prevailing marketplace.

Figure 4. Current supply of talent, by region

When you survey the external market, how would you characterize the supply of qualified, high potential individuals ("talent") who are likely to excel in finance?

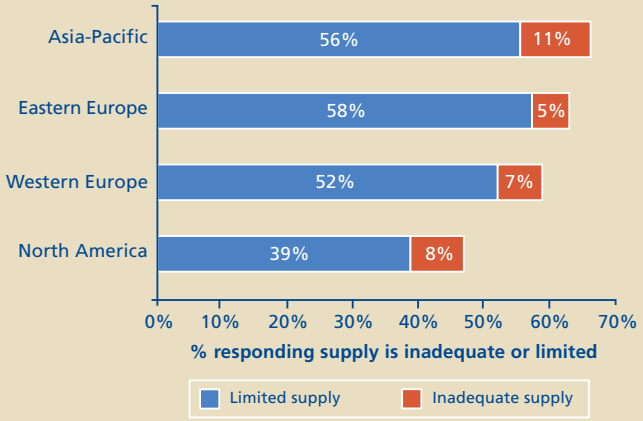


Figure 5. Supply of talent in 3-5 years, by region

What do you expect the supply of qualified, high potential individuals ("talent") to be in 3-5 years?

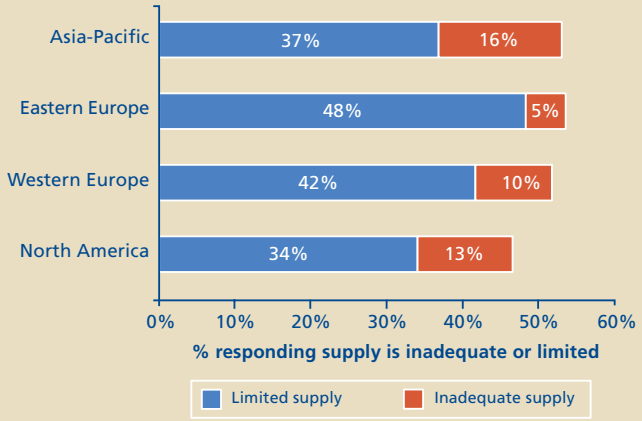
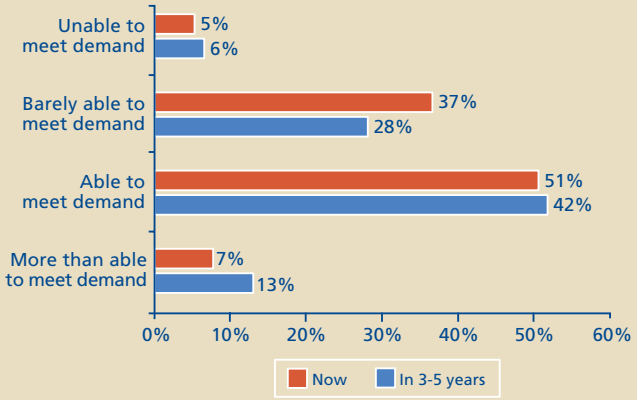


Figure 6. Ability of the finance organization to meet its demand for finance professionals, now and in 3-5 years

How would you characterize the ability of your finance organization to meet its demand for finance professionals: What do you expect in 3-5 years?



Identifying finance talent

The first priority for CFOs is to identify talent. The survey shows that search firms and third parties top the list of critical sources for identifying talent today. CFOs are even more likely to cite the importance of third-party providers, probably because they are typically engaged mostly in senior hires, for which they cast a fairly wide net best handled by outside service providers.

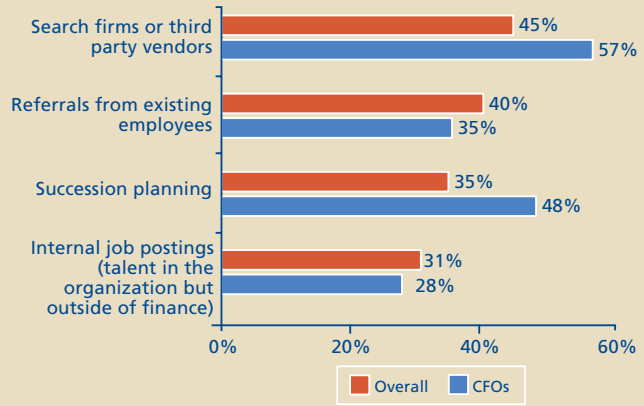
CFOs say the search process is exhaustive for senior hires, especially when looking for people who can potentially move forward into leadership positions. The increased focus on business-minded generalists and catalysts is also likely to mean the search for talent spans industries and regions.

Some CFOs note it is also important to make ad hoc talent-spotting an option.

Mr. Bartlett says, "One of my principles is that if we see really good candidates, we will recruit them even if we don't have a vacancy." He says staffing is always an agenda item at the monthly meeting of the finance leadership team (all the finance directors from the businesses), "and we encourage our managers to distribute any really good CVs [resumes] they've seen in particular areas, and we'll make a decision about whether we're going to interview them."

Figure 7. Search firms are seen as a critical means of identifying talent, especially be CFOs

Top responses to "Which of the following are the most critical sources for identifying talent in your organization?"



Succession planning is crucial; FP&A is a key pipeline

In the survey, CFOs were also more likely than average to see succession planning as an important method of ensuring a long-term supply of skilled people. "My job as a senior leader is to develop leaders for the future," says Mr. Buthman of Kimberly-Clark. "I have a functional accountability to make sure the pipeline of talent for senior financial roles is full – or that we have strategies to acquire talent from the outside."

Notably, the survey shows FP&A is viewed as the top talent pipeline for the finance organization's leadership positions. Of all respondents, 75% say FP&A is among the top three pipelines for their finance organization's leadership positions, and 45% of those respondents who cited FP&A, ranked it first. This finding is consistent with the increased demand for people with a strong business perspective and who are critical thinkers – two must-haves for successfully translating numbers into actionable business strategy.

Significantly, FP&A also tops the list of finance areas having trouble identifying talent. One-third of all survey respondents recognize FP&A is having difficulty identifying qualified, high-potential individuals in their sphere. Among those in FP&A, 45% say there is a problem identifying talent.

Table 4. FP&A is the top talent pipeline for finance leadership*

	% of respondents selecting the group/ position among the top 3 (A)	% of those (A) who ranked the group/ position first
Financial Planning and Analysis	75%	45%
Controllership	55%	39%
Accounting	53%	30%
Operations	33%	25%
Treasury	24%	26%

*Top responses to the question: 'Which of the following functional groups/positions provide the most significant talent pipeline for your finance organization's leadership positions?' Respondents ranked their top 3, with 1 being the highest.

Table 5. FP&A is among the areas of finance struggling most to identify talent*

Among total respondents		Among those in financial planning & analysis	
Financial planning & analysis	**33%**	**Financial planning & analysis**	**45%**
Accounting	29%	Accounting	37%
Internal control/audit/control	28%	Internal control/audit/control	33%
Finance (business unit)	25%	Finance (business unit)	28%
Finance (marketing and sales)	24%	Tax	25%

*Top Responses to question, 'Currently, which areas of your finance organization have difficulty identifying qualified, high-potential individuals ("talent") in their sphere?'

The survey shows Controllerships and Accounting are also good leads in finding finance leaders. CFOs say such positions can offer high visibility for finance talent inside the company, providing a valuable launching pad for internal advancement. However, these areas are less likely to be tapped in external hiring. One CFO says a controller or head of tax is essentially a long-standing functional contributor who needs to have had additional business experiences to be a valuable finance leader. A hiring CFO cannot guarantee functional specialists have had these experiences at other companies.

For senior leadership positions, "I look first for a value-creating mindset," says one CFO. "And that mindset is more likely to exist in a divisional CFO – even if they are from another company and industry – than in the form of a finance specialist who is not already groomed for leadership."

Assessing potential

The potential of the candidate (internal or external) to succeed in a given position is obviously a key factor in hiring – especially for leadership positions.

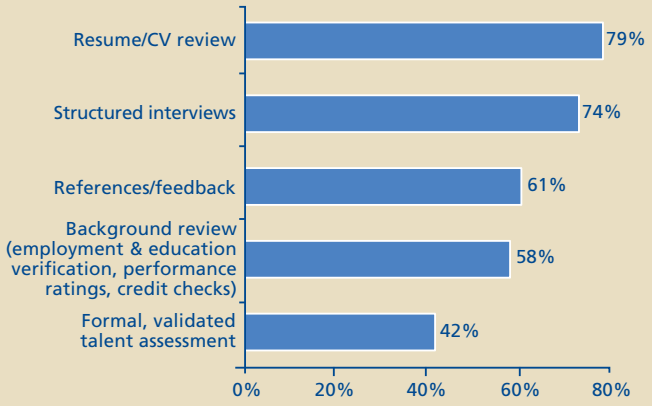
The survey shows most finance organizations use resumes and interviews to assess potential, but 42% say their organization uses formal, validated measurements to assess a candidate's potential to excel in the finance organization.

Some CFOs also lean heavily on their instincts when hiring – seeking to replicate a formula that has been working for them.

"I expect anyone who gets to the level I would be interviewing to be technically capable, and to have business sense, so I don't pursue that technical side," says one CFO. "I pursue the person; the driver of the decision for me is largely how they fit within the framework of the people that are really successful now."

Figure 8. Most use resumes and interviews to assess potential

Top responses to "How does your finance organization assess the potential of employees and internal/external candidates to excel at any given level within the organization?"



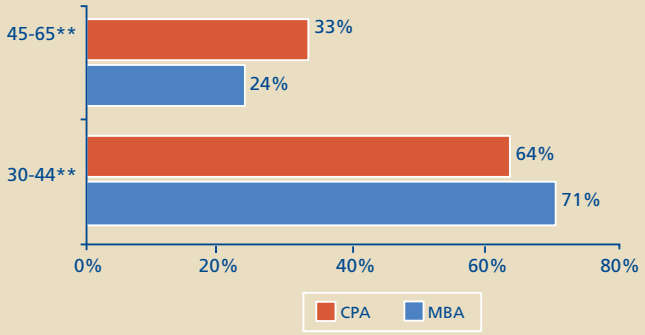
High-potential graduates are rarely tapped effectively

Despite the need for high-potential talent, the survey suggests many finance organizations are failing to tap college graduates, an important pool of talent.

Among responding CFOs aged 30-44, 71% have an MBA (and 64% have a CPA), far more than among CFOs in the 45-65 age bracket. This illustrates how the norm has shifted toward higher degrees and qualifications among the younger demographic – making the higher-education pool an important one for finding future finance leaders. However, few (27%) survey respondents say campus recruiting (undergraduate, graduate and MBA) is one of the most critical sources for identifying talent in their finance organization.

Figure 9. Younger CFOs are far more likely than older peers to have an MBA and/or a CPA*

Based on response to survey's demographic questions



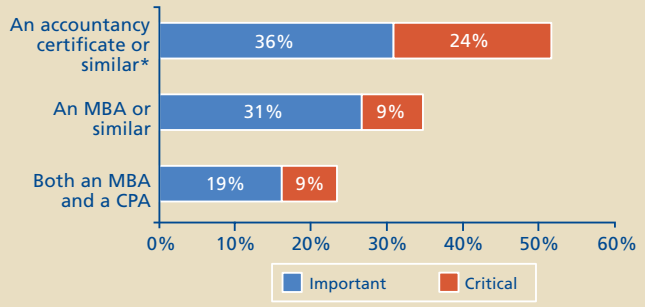
*An accountancy certificate or similar qualification (e.g., certified public/management accountant (CPA, CMA))
**Too few responding CFOs were aged under 30 or over 65 for the results to be relevant for those age brackets

The survey also suggests there remains a reflexive affection for CPA-type certifications in the finance arena. Overall, 36% of survey respondents say an accountancy certificate is important to the success of professionals in the finance organization, and 24% say it is critical. Only 31% say an MBA-type degree is important, and very few (9%) say it is critical – even though an MBA is arguably a better base for business leadership than is the specialist CPA qualification.

CFOs are quick to point out, though, that none of these qualifications are differentiators – even in cases when they are a base requirement for a position.

In fact, the survey suggests finance needs a more comprehensive and formalized program for attracting talent effectively. For example, 47% say providing internship opportunities for high-potential students is one of the most valuable ways to attract talent, but 38% say recent college graduates are hard to attract, because they do not see the company's finance organization as a career launcher.

Figure 10. How important are the following to the success of professionals in your finance organization?



*An accountancy certificate or similar qualification (e.g., certified public/management accountant (CPA, CMA))

However, some companies are using recent graduates as assets, creating programs to spot talent early on, and groom high-potential individuals for senior leadership positions.

Lloyds TSB has recently introduced a high-potential program, aimed at identifying people soon after they have completed their accountancy qualifications – "people who we believe have leadership potential," says Ms. Weir. "We think through their career development – what jobs they take over time – so they have the breadth of experience in different types of roles, which then enables them to take on a more senior role within the finance area."

Qantas Airlines Group has a series of well-established graduate programs that provide an accelerated development path for the chosen high-potential graduates. The finance version includes rotations in key finance departments across the airline and subsidiary businesses and it offers the chance of stretch assignments.

"We started our own graduate program in finance to recruit young people directly out of college to add to the people we took from the market," says Peter Gregg, CFO and Executive General Manager, Strategy of Qantas Airlines Group. "One of those graduates is now head of internal audit for the whole company – and she's done that in 7 or 8 years."

In the case of Qantas, the graduate programs provide the company with a vehicle for identifying finance talent, while the brand recognition – of the programs and the company – helps to ensure the company attracts the best and the brightest.

Qantas

Graduate Program – Finance

The Finance stream is designed for graduates with an accounting major seeking a career in Finance.

You will join a two-year program involving four six-month rotations designed to give you experience in a number of key finance departments across the business, both in Group Finance and segment finance teams. Through this you will gain an understanding of how different areas work together to provide finance support to the business, and experience in several core finance areas to equip you with excellent skills and commercial acumen to launch your career.

Rotations may be in areas such as: Group Finance departments responsible for Financial Reporting, Planning and Analysis, Taxation, Financial Control, Treasury, Financial Services and Finance departments within our flying other business segments

During the assignments, you may become actively involved in major projects and important events, such as the half yearly and end of year results, and annual budget. It is a requirement of the Finance Graduate Program that you successfully complete either the CA or CPA program to obtain your professional accounting qualification Sponsorship and support to meet study requirements is provided.

Source: http://www.qantas.com.au/info/about/employment/graduateFinance

> "We think through their career development – what jobs they take over time – so they have the breadth of experience in different types of roles, which then enables them to take on a more senior role within the finance area."
>
> – Helen Weir
> Group Finance Director
> Lloyds TSB

Attracting, developing and retaining finance talent

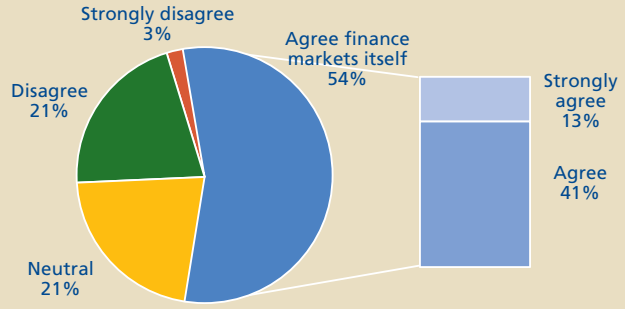
In fact, the survey suggests branding is a vital part of attracting finance talent, but finance could do better at branding and other strategies to attract talent.

Of all survey respondents, 51% say 'Branding our company as a finance-career destination' is one of the most valuable talent-attraction strategies for finance, but only 33% believe their finance organization markets finance as an attractive career option.

Notably, far more CFOs (54%) believe finance brands itself well as an attractive career, but that may reflect the tendency of CFOs to feel they personally do a good job of selling themselves, and the company.

Branding also helps to create a virtuous circle. In the case of Qantas, says Mr. Gregg, it "is a very high-profile business. [The finance people] are high-quality individuals, and we continue to be able to attract high-quality people, because success attracts success." In short, he says, the company's brand and the reputation of the finance team "attracts individuals looking to further their career."

Figure 11. CFO perspective: To what extent do you agree that finance markets itself as an attractive career?



> ...the company's brand and the reputation of the finance team "attracts individuals looking to further their career."
>
> – Peter Gregg
> CFO and Executive General Manager, Strategy
> Qantas Airlines Group

Career development is critical for talent management

Brand is also a factor, then, as individuals consider their career development – and the survey shows career-advancement issues are critical to attracting and retaining talent at all levels of the finance organization. For instance, when we asked survey respondents which factors pose the most significant challenge in attracting talent, the top of the list (cited by 41%) was: "We don't offer enough opportunities for professional development and career advancement," followed by "Recent graduates do not see our company's finance organization as a career launcher."

According to the survey, career advancement also tops the list (48% of respondents) of frequently cited reasons given by talented people when they leave the finance organization.

However, despite the widely understood importance of career development, only 43% of respondents say their finance organization has managerial/executive development programs in place – though slightly more (49%) expect to have such programs in 3-5 years.

Figure 12. Issues of a career potential are a barrier to attracting talent

Top responses to "In your opinion, which of the following factors pose the most significant challenges in attracting talent to your finance organization?"

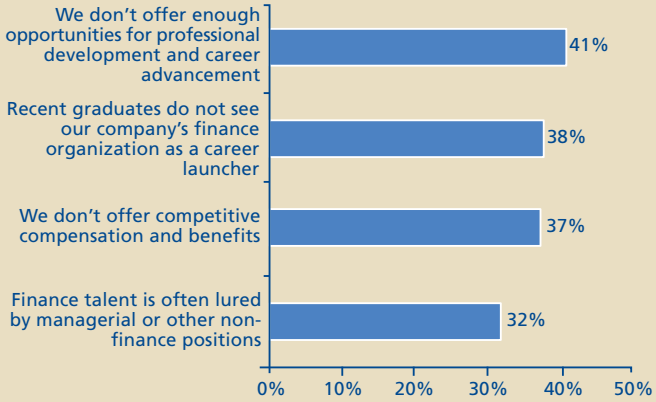
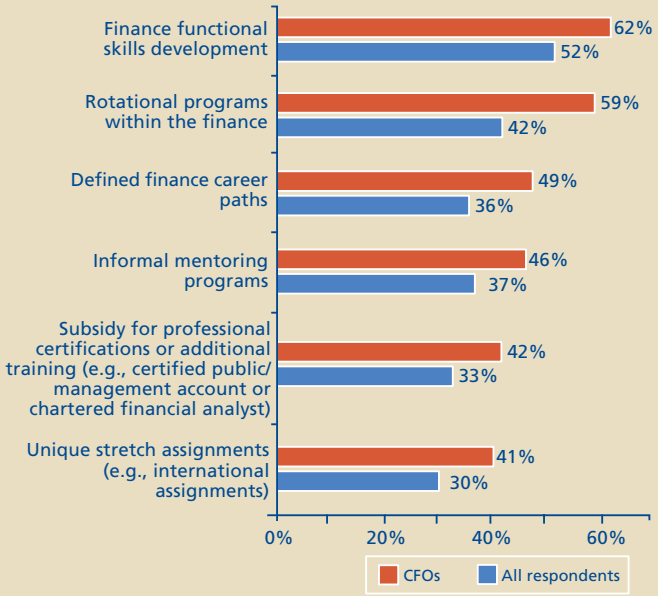


Figure 13. Approaches used by finance to develop talent

Responses by CFOs vs. all respondents to "What approach does your finance organization use to develop its talent?"



Significantly, other factors affecting talent attraction and retention tend to be highly fungible, such as pay and benefits, so career development is also an important potential differentiator for any finance organization.

Finance must be careful, then, to make sure the development opportunities themselves are not so generic as to be easily relinquished. But the survey shows that while finance currently uses various tactics to develop talent, functional skills development – most often focused on technical capabilities – is the most common.

Notably, CFOs are more likely than the average respondent to say finance uses development strategies – and far more likely to say they use pragmatic strategies, such as rotational programs and unique stretch assignments. Again, this likely reflects the perception by CFOs that they are personally effective at developing talent, but suggests CFOs may need to make sure that others share the same perception of them.

Ultimately, say CFO respondents, high-potential individuals are most likely to thrive and excel if surrounded by good people who stimulate them. These people tend to be given work that is intrinsically interesting and stimulating, and to be granted the authority to take important business decisions on their own.

Deploying talent

One way CFOs can provide a stimulating work environment is to make sure they deploy talent effectively. The survey suggests, though, that finance is keener to deploy talent to assignments and roles within the finance organization than to roles and positions outside of finance. But this is not the best approach if finance executives are to understand the business.

Of all respondents, 53% say finance talent is deployed to key assignments within the finance organization, while only 29% say talent is exported to the broader organization as part of the routine talent-management approach.

In reality, though, it is becoming more common for finance people to be affiliated to a business manager, even though they are still part of the finance organization.

Figure 14. Does finance deploy talent to key assignments *within* finance?

In considering your finance organization's approach to talent management, "To what extent do you agree finance deploys talent to key assignments and roles within the finance organization?"

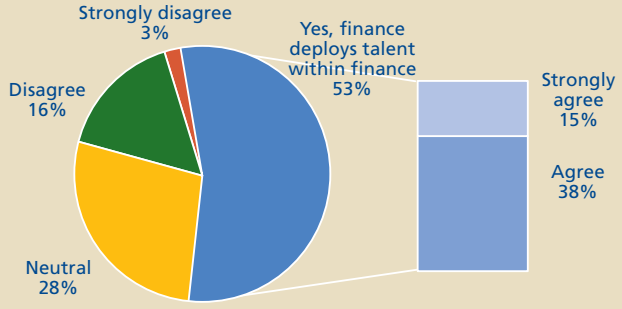
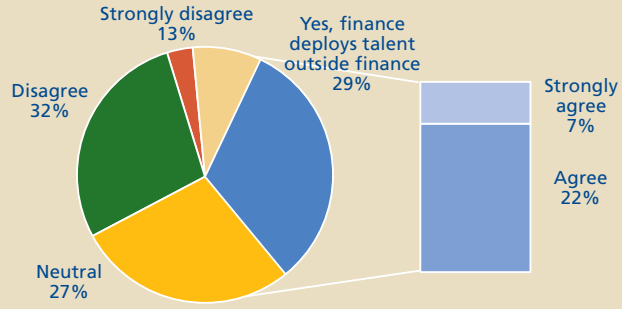


Figure 15. Does finance deploy talent to key assignments *outside* of finance?

In considering your finance organization's approach to talent management, "To what extent do you agree finance deploys talent to key assignments and roles outside finance?"



At Lloyds TSB, divisional finance directors report to divisional managing directors. "You don't need line reporting to have adequate financial control," says Ms. Weir. "I have full and open access to all the numbers, and the people in the finance organization." At Kimberly-Clark, where the allocation of finance resources has shifted to align more closely with strategic priorities, more business analysts are being assigned to customer teams, whereas "Traditionally, two-thirds of my analytical talent was focused on manufacturing and supply chain," says Mr. Buthman.

At E.ON UK, says Mr. Bartlett, "Divisional finance directors report directly to the managing directors, but they have a very strong dotted line to me, so that I can provide the functional leadership and the guidance to those organizations."

Regardless of the organizational structure, CFO respondents say they need to provide high-potential finance people with real-world management accountability. But they become separated from this kind of accountability when working in a centralized finance function.

Connecting finance talent with the business organization

Some CFOs believe finance talent should also be given every opportunity to move beyond the world of finance and into business management – especially if they have aspirations to be a CFO, or other senior business leader.

"There's any number of people I can name who've moved away from financial management to general management – largely driven by the fact that we've given them the capability to do so," says Mr. Gregg.

Mr. Buthman says, "The skill set young financial people develop provides a great analytical toolkit that can easily translate into a business leadership role. [In finance], you also get to see, and are required to have, an enterprise mindset – you always have an accountability to the enterprise. You've an independent perspective on business decisions. If you think about transitioning that to a business role, you have a unique experience set to be able to think across the enterprise."

Our survey, however, shows few (25%) believe finance is keen or very keen to release talent to the broader organization, and 38% say their finance organization is actually averse to it.

Among CFOs, the number who say their organization is in favor of releasing talent is higher than average (41%), and the number saying their organization actively hoards talent is lower (26%). This again suggests CFOs need to make sure their own vision of the finance organization's approach to talent is perceived correctly by finance as a whole.

Figure 16. Few say their organization is keen to release finance talent to pursue opportunities within other company functions or units

Grooming tomorrow's leaders

Offering high-potential people opportunities outside finance benefits the business, and boosts the career prospects of the individuals, say CFO respondents. Experience outside finance not only broadens business experience but also provides high-potential people with invaluable connections.

"I've seen a number of my finance organization move into line business roles – which is great, and which I encourage," says Mr. Stanhope. "It's good for them and the business." Mr. Stanhope notes he has spent 40 years at Telstra, but for the first 30, he wasn't in the same role for longer than 3 years. "I deliberately chose to move around the business to get as broad a knowledge as I could – that has helped me to be a better CFO."

In fact, CFOs and other finance leaders surveyed say, there is no single path that ambitious finance talent should pursue, but there are a series of experiences they should seek to have, and competencies they should seek to develop in order to succeed as CFOs.

Most advocate assignments to business units – whether or not they have worked in a finance business-unit themselves. Interestingly, though, the senior finance leaders[4] among survey respondents do not always recommend that the young up-and-comers follow their career path. Only one-half of those who have worked in corporate finance recommend it, and just 17% of those who have been a Treasurer recommend the same for those who hope to thrive in finance.

In general, the finance leaders surveyed urge ambitious finance talent to develop their leadership skills, and broaden their practical experience. They recommend certain tactics in particular. More than 90% of those who underwent rotational finance development programs recommend those experiences to ambitious finance talent. Similarly, over 90% of those who had international assignments would recommend them to those seeking to thrive in a finance organization today.

Overall, though, CFOs encourage talent to deliberately seek a diversity of experience. "Take some risks – get a diversity of experience – whether it is central finance vs. business unit, or technical vs. commercial vs. shared-services", says Ms. Weir. Also valuable, she says, is "time spent in some kind of strategy role – either in some kind of external unit or within corporate development. It helps you understand operating models, which is very key," says Ms. Weir.

Mr. Bartlett echoes that sentiment: "If you're looking at a job and you think it's a stretch – just trust your instincts and take it…You've got to throw yourself into a number of situations where you feel pretty uncomfortable." Furthermore, he says, "Understand the businesses you work in, so you can help the business, not just say, 'Here's the numbers, I'll leave you to interpret them.'"

Try to take a position in which you are "ultimately accountable for the decisions that you make" and "developing leadership capabilities is critical" – such as learning how to wield influence, collaborate, coordinate, and muster resources, says Mr. Buthman.

Table 6. Which of the following career experiences in finance have you had? (Columns) Which would you recommend to those seeking to thrive in a finance organization today? (Rows)*

	I've worked in business-unit finance	I've worked in Corporate Finance	I have been a Controller	I have been a Treasurer
Assignments to business units	88%	80%	84%	71%
Working in Corporate Finance	41%	49%	44%	46%
Holding a Controller position	43%	54%	44%	71%
Holding a Treasurer position	10%	9%	4%	17%

*Question asked only of senior finance leaders[4]

Conclusion

The realm of the CFO is continuing to evolve, but many CFOs are still struggling to upgrade the finance organization in lockstep.

For most, the situation is unlikely to improve: demand for finance talent is high, and is outstripping supply; the list of sought-after skills is shifting far beyond technical capabilities; the regulatory environment is exerting unyielding pressure on finance to perform; and business operations are growing ever more complex as companies become more global and more integrated.

To unlock the power of the people dimension in finance, CFOs must take charge of the talent imperative, starting with a vision that is driven by business imperatives. Kimberly-Clark formally documents the business context for finance. The "OGSM" summarizes the corporate Objectives, Goals, Strategies and Measures in a two-page document that finance, IT and corporate communications use to align functional or business unit strategies to the enterprise. The OGSM cascades corporate strategy down into individual objectives, says CFO Mark Buthman, helping to "provide the context needed to prioritize resources so finance can focus on supporting business decisions."

A key success factor is the operational enablement of finance. For instance, E.ON UK, is among those that have freed up finance resources by having finance transaction processing in a shared services center. As a result, says CFO Graham Bartlett, "Many more of the finance people at the business unit and market-unit level are partnering with the commercial managers to drive through the commercial strategies, and report against those, rather than conducting some of the standard reporting."

Bristol-Myers Squibb's finance vision also involved improvement initiatives, such as standardizing systems and processes. "As the [systems and process] become more reliable and more embedded in the business, you can spend less time making sure they're in place, and more time focusing on value-added activities," says CFO Andrew Bonfield.

Organizational acceptance is also key to success, and one way to make sure finance is committed to value creation is to prove the worth of the approach with 'Big Wins' – cases in which the finance organization's analytics and business modeling have proven valuable in practice. For example, says Mr. Stanhope, Telstra's senior leadership team decided to change tack on a certain business case, "because of the analytics presented by the finance organization. When you go back to your finance people and say, 'See we challenged the business settings and, as a result, the model changed', then the light comes on – that really is value-creating."

The greatest imperative, though, is for CFOs to develop a deliberate strategy for populating their finance organization with individuals who know how to support and promote current and potential business opportunities, and not just provide technical excellence in finance. "When you create value, you're looking into all aspects of the business as it is today, and making decisions about whether or not they can create value," says Peter Gregg, CFO of Qantas Airlines Group.

"My finance people are the right-hand men and women of the business [heads]," notes Ms. Weir of Lloyds TSB. As business demands grow and change, "the finance community must align."

In short, CFOs must not forget to turn their business savvy to this finance-talent imperative, or their own ability to focus on beneficial activities is likely to be eroded.

Survey methodology

The Finance Talent Challenge: How Leading CFOs are Taking Charge is based on survey responses and insights from in-depth interviews. The survey was conducted online by the Economist Intelligence Unit in collaboration with DTT in April-May 2007.

A total of 636 executives participated in the survey, including people from a range of finance functions, and senior business executives, including Chief Executive Officers and Board members. In all, 400 respondents have a finance-specific job title, or say their primary function is in finance.

Not all questions were asked of all respondents. A small subset of questions was asked only of senior finance respondents – those who elected in the survey demographics to classify themselves as CFOs, Treasurers, Controllers, or Regional Directors of Finance. This segment is generally referred to in the report as "senior finance leaders," and ultimately accounted for 31% of respondents.

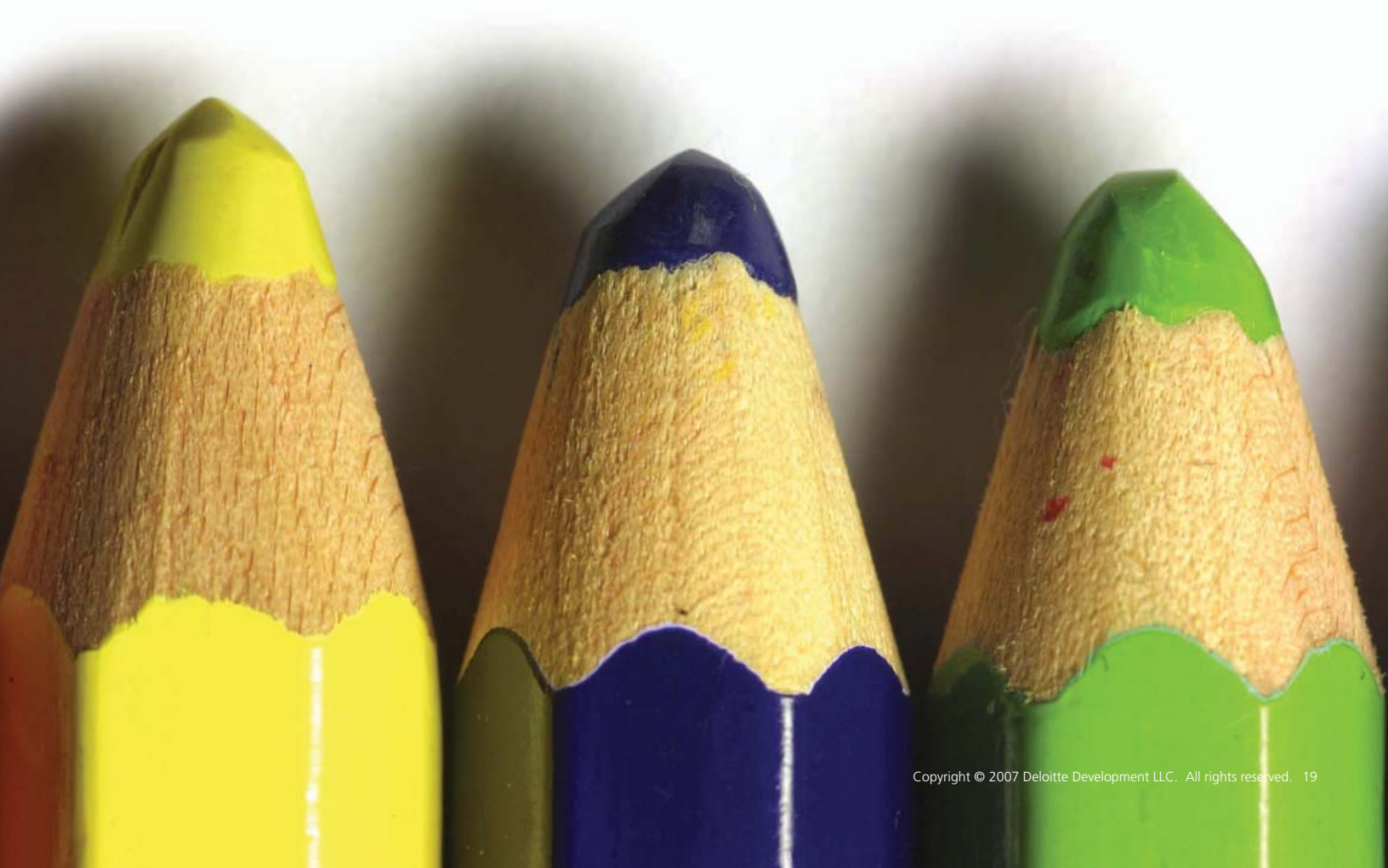
Respondents hailed from 73 different countries (as designated by their personal location), but the research team chose how to group those participants by region. Accordingly, 46% of respondents were based in Europe, 23% in the Americas and 26% in the Asia-Pacific region.

All participants represented companies with revenues of US$1bn or more, except for public-sector respondents, for which there was no qualifying revenue size. 67% of respondents came from companies with revenues of more than US$3bn.

Not all participants answered all questions, so percentages should in each case be considered to be a percentage of the total number who responded. Some responses have been calculated based on filters, such as the respondent's location or job title.

In some cases, the percentages have been adjusted to exclude those who answered "don't know" from the denominator. In such cases, however, any direct comparisons (e.g., 'Now' vs. 'In 3-5 years') are calculated using a comparable method.

All percentages have been rounded to the nearest whole number. In most cases, the paper cites only selected responses from the original survey questions, and most questions allowed multiple responses.



Endnotes

[1] In this report, we use the title of Chief Financial Officer (CFO) in the U.S. sense, but all references apply equally to officers in equivalent positions worldwide.

[2] In this report, the term "finance leaders" refers to a segment of survey respondents to whom a subset of questions was posed. Those respondents categorized themselves in the survey's demographics as having the title of CFO, Treasurer, Controller, or Regional Director of Finance.

[3] See page 19 for notes on survey methodology.

[4] Certain survey questions were asked only of "senior finance leaders" – those who described themselves in the survey demographics as CFOs, Treasurers, Controllers, or Regional Directors of Finance.

Contacts

Steven Ehrenhalt
Deloitte Consulting LLP (United States)
Tel: +1 212 618 4200
Email: hehrenhalt@deloitte.com

Christoph Greving
Deloitte Consulting GmbH (Germany)
Tel: +49 69 97137 393
Email: cgreving@deloitte.com

Ken Kunkleman
Deloitte Consulting LLP (United States)
Tel: +1 614 228 4270
Email: kkunkleman@deloitte.com

Sam Silvers
Deloitte Consulting LLP (United States)
Tel: +1 215 982 6596
Email: ssilvers@deloitte.com

You can also visit our Web site at www.deloitte.com/us/talentpov or www.deloitte.com/us/cfocenter.

About the Economist Intelligence Unit

The Economist Intelligence Unit is the world leader in global business intelligence. It is the business-to-business arm of The Economist Group, which publishes The Economist newspaper. The Economist Intelligence Unit provides geopolitical, economic and business analysis on more than 200 countries, as well as strategic intelligence on key industries and management practices. With over 300 full-time professionals in 40 offices around the world, supported by a global network of more than 700 contributing analysts, the Economist Intelligence Unit is widely known for its unparalleled coverage of major and emerging markets

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, its member firms, and their respective subsidiaries and affiliates. Deloitte Touche Tohmatsu is an organization of member firms around the world devoted to excellence in providing professional services and advice, focused on client service through a global strategy executed locally in nearly 140 countries. With access to the deep intellectual capital of approximately 135,000 people worldwide, Deloitte delivers services in four professional areas — audit, tax, consulting, and financial advisory services — and serves more than 80 percent of the world's largest companies, as well as large national enterprises, public institutions, locally important clients, and successful, fast-growing global growth companies. Services are not provided by the Deloitte Touche Tohmatsu Verein, and, for regulatory and other reasons, certain member firms do not provide services in all four professional areas.

As a Swiss Verein (association), neither Deloitte Touche Tohmatsu nor any of its member firms has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," or other related names.