

INSIGHT

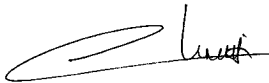
Perspectives on talent management in challenging times

Welcome to our Insight series. We recognise the importance you place on having an opportunity to explore, reflect and plan for managing the impacts of current and anticipated challenges and opportunities.

Our Insight reports are intended to provide you with that 'space' and an insight into the key issues around the recruitment, retention and development of finance professionals.

At the start of 2009 the global business environment is facing challenging global economic conditions. In this opinion piece, we briefly consider the implications for the finance profession in relation to aspects of talent management. We hope this commentary helps inform the decisions that organisations in practice, business and the public and government sectors make about learning and development for their finance staff. We would expect that these findings will have relevance and usefulness for individual accountants, either by influencing decision-makers within their own employer organisations, or as guidance on how to take greater responsibility for their own development needs and activities.

Best wishes



Aude Leonetti
Director of education and professional development

Challenging times

The latest data from the International Monetary Fund suggest that global GDP growth will fall to 0.5% in 2009¹, the lowest level since 1945. Furthermore, there will be no recovery until the issues of risk, solvency and lack of available credit from the financial sector are resolved.

There are three major economic forces dominating just about every major economy, namely, the lack of credit, with the banks needing to recapitalise; an economic downturn, which is partly cyclical; and an unwinding of economic imbalances and a fall out from reckless lending, resulting in possible deflationary risks.

We know that governments are being proactive in trying to mitigate the worst effects of the situation but we also accept that confidence needs to be restored, which takes time. As a consequence, it could be as late as 2010 or 2011 before the world begins to emerge from the current economic situation.

In these challenging times the role that finance professionals play comes to the fore. Priorities include strengthening balance sheets, managing costs, effective risk management in the widest sense, improving cash flow, identifying and using value levers for revenue protection if not growth, and managing stakeholder relationships. As finance professionals have become more central to their own businesses and those of their clients, so too has their role become more exposed and sensitive to the impact of forces external to the organisation.

From a human capital perspective there are some fundamental questions that need answering – are our finance people well equipped in knowledge, skills and experience to help us successfully navigate these turbulent times? What impact does the current environment have on the capabilities they need? How do these compare with what they currently have?

In the past, organisations have readily cut costs by making deep reductions in recruitment and professional development. Nonetheless, there were many organisations that took a holding position or a 'path to growth' strategy, with corresponding investment in people: looking for synergies, increasing market share and scale economies. Arguably, those organisations that took a positive approach, with focused investment, increased their operating costs before the economic recovery, but they were also the fastest to recover and enjoyed greater sustained commercial success. The response of the organisation at these times will in a large part determine its future.

Talent management – opportunities and challenges

RECRUITING TALENT

An inevitable consequence of the economic downturn is that there will be more finance professionals available for hire in the market. The employers that capitalise most successfully in recruiting will be those with a defined employee proposition and powerful brand reputation, and those that adopt a longer-term view of the benefits of current recruitment.

The priorities of prospective job hunters are likely to have changed. Over the last decade the global finance profession has been characterised by a fierce war on talent, high levels of staff turnover, and high rates of mobility. The next few years are likely to see higher rates of retention and lower rates of mobility, as professionals seek employment security and fewer vacancies present themselves.

DEVELOPING TALENT

The global economic downturn is likely to bring into prominence some of the longer-term trends in the workplace that affect talent development – first, employment models are changing, with more part-time and temporary work, greater offshoring and outsourcing to drive cost competitiveness, and corporate downsizing and delayering to generate operational efficiencies.

The career paths that talented finance professionals follow are also likely to evolve in the short term, in response to the economic crisis, but also in the longer term, as a reflection of broader trends. Today's career path is not a straight upward trajectory, particularly in finance. Instead, a typical career in finance is now characterised by a series of horizontal and vertical moves, occasional planned descents and moves

¹ IMF, *World Economic Outlook Update*, January 2009

into new functions – this new model of career development is often referred to as the corporate lattice, rather than the corporate ladder. Therefore, in terms of career development, we see greater flexibility being required by both employees and employers. Employees need to accept horizontal moves as career development opportunities, and employers need to be prepared to develop finance professionals beyond traditional ‘routes’.

Individual aspiration is another key factor. In 2007, ACCA research² clearly identified the growing aspirations of finance professionals as a key trend across the profession, but have such aspirations been dampened by the more insecure working environment we now all face? The aspiration had perhaps best been represented by younger entrants into the profession (now referred to as Generation Y – individuals born after 1978) with very different values and expectations of their careers. The employer–employee proposition had strengthened in favour of the employee, but at the time of writing the effects of the economic downturn on this trend remain less clear. Put simply, it is too early to tell.

These factors potentially represent some of the challenges that employers face in talent development. Nonetheless, these challenges must be counterbalanced by longer-term opportunities that are expected to prevail. Our previous research³ has illustrated that the next few years will see the growth of roles in risk management, financial analysis and corporate governance in the public and corporate sectors, while tax will become number one in practice, with a significant fall in corporate finance. Organisations may therefore well find that there is a dearth of available talent in these areas. Hence, there is a window of opportunity now to expand the talent pool in those areas by redeploying and retraining finance professionals from other specialisms and/or sourcing specialists externally.

Additionally, there are still significant gaps across the profession in management skills or the behaviours that enable high performance. Skills in communication, analysis, leadership, workload management, team building and presentation are all seen as highly valued but, in very many cases, are not held by professionals within the organisation or those available on the employment market. To a large extent, the absence of these critical skills would seem to be due simply to a lack of investment in development opportunities across the profession. Evidence of this lack of investment also appears in ACCA's Continuing Professional Development (CPD) survey of 2008, in which it was found that employers were failing to match demand for project work experience, secondments and sponsorship towards a professional qualification.

If organisations intend to benefit from the opportunities arising from the current economic circumstances, they will need to make investments in their finance professionals in order to do so. The gaps illustrated above would be good starting points from which to begin addressing these issues.

The issues of effectiveness also apply to individuals. We see that over 40% of ACCA members spend 12 or more days on CPD annually, while nearly 80% spend at least six days. The effectiveness of this time spent could be improved by ensuring that each individual conducts CPD planning and post-activity review, as we found that nearly 40% did not have time to plan adequately.

It is also interesting to note the preferred methods by which finance professionals choose to undertake CPD. For technical skills, the top three methods are face-to-face seminars/courses, reading and on-the-job learning. For business skills they are face-to-face courses/seminars, on the job learning and interactive workshops. It can be safely assumed, therefore, that these are the methods that finance professionals deem the most effective and those to which we should be giving a proportionate amount of investment.

Fast gaining recognition as highly effective methods of CPD activity, for finance professionals, are coaching and mentoring. A survey released by ACCA⁴ shows that although 90% of finance professionals would value coaching and mentoring, fewer than a third of their organisations provide it. Another worrying trend is the tendency to focus solely on technical skills without ensuring that the enabling high-performance leadership behaviours are also being developed.

Coaching has been described as ‘...unlocking a person's potential to maximise their own performance’.⁵ It is very much driven by the individual and is designed specifically to enhance performance with a view to enabling the individual to achieve a targeted set of objectives. It is usually conducted for a defined period of time and can be facilitated by someone from within or outside the organisation. As it is facilitative, it encourages the coachee to be creative and innovative in setting objectives and resolving their own issues. In this current environment such intellectual agility can be very valuable.

Conversely, mentoring is typically more directive and with the objective that the mentee will learn specifically from the mentor's knowledge and experience. Again, in times like these, in which anyone who qualified after the early 1990s will not have experienced such adverse conditions, the experience of those who have is invaluable.

RETAINING TALENT

It would be naive to assume that the talent war for skilled finance professionals has completely disappeared. Research recently published by the Chartered Institute of Personnel Development in the UK suggests that many organisations' talent strategies remain unchanged, and that almost one-fifth of organisations are placing even greater emphasis on identifying, developing and retaining talent.

2 Insight Series: *A changing profession? The evolution of accounting roles, skills and career aspirations*

3 Insight Series: *A changing profession? The evolution of accounting roles, skills and career aspirations*

4 Insight Series: *The coaching and mentoring revolution – is it working?*

5 Whitmore, John (1992), *Coaching for performance*

The prevailing economic conditions present a once in a generation opportunity for organisations to foster high levels of loyalty through targeted employee engagement programmes and a compelling employee proposition. This will be key to employee retention both in the short and long term.

Though staff cuts may be necessary, these should always be a last resort and, furthermore, organisations should be mindful not to make cuts any deeper than absolutely necessary. In response to the challenging economic conditions, many leading accountancy firms are exploring alternative ways to reduce staff overhead costs without compulsory redundancies – for example, reductions in working week days or caps on staff pay. Though such strategies may appear extreme, these are unprecedented circumstances, which may require unique policies, and such strategies increase firms' ability to retain talented staff for the longer term, to be ready when the upturn arrives.

A key part of firms' current talent retention strategies should be to ensure that the 'psychological contract' with talented employees is not broken. There is huge potential to demotivate and spread insecurity among those who remain if redundancy strategies are pursued. Managing the impact on 'B' players, as well as 'A' players must also not be overlooked for the purposes of talent management.

In summary, this is a good time to invest in your current talent pool and to add depth to that pool through continued investment in training and professional development, while at the same time reviewing and renewing your engagement models.

LEADERSHIP TALENT

In the current situation, key leadership abilities across finance include being able to distil complex issues, providing certainty out of uncertainty, setting goals, direction and purpose, and driving change while ensuring that the organisation's strategy and structure are nimble. Internal visibility and management of external stakeholders are equally essential.

The core leadership skill of communication becomes even more important, both in terms of frequency and message. In uncertain times, good leaders know that it is impossible to communicate too much. They also know that it is important to keep the message realistic. So communication must be clear-cut, direct and frequent.

In ACCA's study on leadership in the finance profession⁶, attributes such as realistic optimism and being able to articulate a clear vision, as well as exercising control and authority, were deemed critical to successful leadership. One would conclude that in challenging economic times these attributes are needed more than ever.

For many finance professionals, it is a fact that the current global economic conditions are the worst they have experienced in the workplace. Some have never worked in recessionary conditions before. In some respects the prevailing economic situation provides a deeper and different level of experience not necessarily available in more benign times, because it refocuses attention on key aspects of running businesses and core finance principles such as strong balance sheets and good cash management. It also provides an excellent opportunity for employers to re-engage more experienced employees, drawing on their experiences from previous economic downturns. There is evidence to suggest leading firms are actively re-engaging this workforce sector. These practices are invaluable in equipping the talented finance leaders of tomorrow with the skills they need to survive in both good and bad times.

A TALENTED ETHICAL CULTURE

Standards of ethical behaviour across organisations generally, and finance professionals specifically, will come under increasing scrutiny. Following the collapse of high-profile financial organisations, there will be a renewed clamour for institutions to reduce complexity, promote transparency in reporting and develop a culture and reward structure that encourages long-term sustainable behaviour.

Building a strong ethical culture is arguably one of the most important aspects of risk management. By virtue of their training, obligation to undertake continuing professional development, and code of conduct, finance professionals should be in a strong position to influence the development of such a culture across the organisation. The current economic climate is a good catalyst to look again at organisational culture, and if appropriate to redefine it and enhance the place of ethics within it. The development of a sustained ethical culture across finance will be the subject of a more detailed ACCA review later in 2009.

WHAT NEXT?

We don't know for sure when we may see an upturn in the economy. We do know, however, that in order to survive in the current climate and to ensure a sustainable future for our businesses, we need to ensure that our attention is focused on our greatest asset – people.

For practical guidance, toolkits and case studies to help you improve your human capital strategies please visit www.accaglobal.com/mhc or visit our global conference programme on managing human capital at www.accaglobal.com/mhc

6 Insight Series: *Paths to the top – best practice leadership development for finance professionals*

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