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Challenges Finance Leaders Need to Solve in a Time of Unprecedented Change

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The Financial Education and Research Foundation (FERF), in cooperation with Robert Half and Protiviti, conducted the FEI ForwardThinking podcast series in the summer of 2020 to gauge how senior-level financial executives are helping their organizations navigate this extraordinary time of disruption and change for businesses.

This inaugural series, titled “Four Challenges, Four Leaders,” featured in-depth interviews with finance leaders and Financial Executives International (FEI) members:

- Dan Crumb, CFO, Kansas City Chiefs
- Dennis Dahlen, CFO, Mayo Clinic
- Calvin Harris Jr., senior vice president of finance and CFO, National Urban League
- Teri Reinseth, VP finance, corporate controller and chief accounting officer, 3M

These executives reflected on the fundamentals of their profession and their role as leaders, and how they view their responsibility for helping to drive change in their organizations and in society at large. This report is based on key takeaways gleaned from these interviews, and some of our own observations in the final podcast of the series about the challenges that many finance leaders and their organizations are grappling with right now.

Meeting the Challenge of Disruption: Constant Pivoting, Reforecasting and Educated Guesswork

The COVID-19 pandemic and the efforts to contain it, along with the continued uncertainty resulting from both, have placed many companies and their employees under extreme stress. That was especially true during the first months of the crisis. The need to shift to remote work almost overnight and figure out how to operate effectively in this new normal also put many firms’ IT systems and tech teams under strain. Businesses had to decide fast which collaboration tools their workforce would use and how they could provide secure and reliable connectivity for newly distributed teams.

Organizations that had previously invested heavily in technology and allowed all or some of their employees to work remotely prior to the pandemic have generally fared better than companies that did neither. Also, businesses whose finance functions had already undergone digital transformation at some level before the crisis have seen their financial systems hold strong. Support from finance and IT teams has been a key factor in many companies’ ability to expand or launch e-commerce operations and develop new digital services during the pandemic.

That said, even the finance organizations that were best prepared to handle disruption have faced significant challenges. We know from participants in the FEI ForwardThinking series as well as from our own conversations with other senior executives that finance leaders and their teams have been constantly pivoting since the start of the pandemic, trying to remain nimble as they work to solve one problem after another.

Educated guesswork, and trial and error, have been the name of the game for many finance organizations in 2020. Trying to match expenses to revenue on a weekly or even daily basis has been a heavy lift for many teams. They’ve also been reforecasting on the fly, trying to plan for at least the short term, providing earnings guidance, and doing their best to quickly gather and analyze relevant data that decision makers can use to help steer the business forward through uncertainty and into recovery.

Meanwhile, finance leaders, who have for some time occupied a place at the top table, have been helping their companies adapt to change. At the same time, they also have been working to support their accounting and finance functions. As they address challenges on both fronts, questions they seek to answer include: How many people do we need on staff to get all the work done? How are we getting work done now? What projects do we need to put on hold or start? Should we engage interim resources to meet our objectives? Do we need more or less office space? Do we need to invest more in technology?

As to the staffing question, we have learned that many finance leaders have continued to hire during the pandemic, although staff additions have been highly strategic. That’s been true for their companies at large as well, with many firms focused on hiring for mission-critical positions, like senior financial analysts, data scientists and cybersecurity specialists. While businesses have had an easier time finding some hires in a labor pool expanded by pandemic-related staff reductions, recruiting in-demand talent remains challenging, especially when hiring must be done remotely.

6 Priorities for Finance Leaders

1

Freeing up cash and keeping it flowing

Finance leaders have struggled to stabilize cash flows during the pandemic. Trimming operating expenses is one strategy many have used as a short-term fix. So, too, is deferring capital expenditures. Now, many firms look to make even deeper cuts in those expenditures, including real estate, to help them free up more cash in the longer term that they can use to innovate and grow once a recovery is fully underway.

Determining what expenses to cut and where has required many firms to go back to “Accounting 101” to assess their fixed and variable costs. Dan Crumb, CFO for the Kansas City Chiefs, says his firm has been digging in “line by line” on operating and capital expenditures to determine what to keep, defer or eliminate. Crumb said, “We also do a lot of planning. Every week, we have a large group meeting where we talk about staging protocols and planning for the months ahead under those scenarios. So, we know what we need to execute, and that’s what we really focus on.”

Cash is king for every business, which is why finance leaders have also been keeping a close eye on collections and accounts receivable and gauging whether they need to reduce days sales outstanding. Many smaller firms have had a particularly tough time matching expenses with revenue this year and, thus, planning, because effective planning hinges on the accuracy of revenue estimates.

2

Prioritizing investments that increase resilience

Companies have been pulling back on expenses. But many are also looking to step up investments designed to increase business resilience, including improvements in IT infrastructure, data security and tools to support remote teams, so that the organization is better prepared to weather a future crisis.

Business resilience is defined as: “The ability of an organization to absorb and adapt in a changing environment to enable it to deliver its objectives and to survive and prosper.”¹ Business resilience builds on business continuity, or the ability to maintain operational viability and deliver services to customers in the face of events that disrupt the business. And while many firms had a business continuity playbook that may have proven useful to some degree during the COVID-19 crisis, it’s a sure bet that few if any had a pandemic-specific playbook.

Investors and other stakeholders will be expecting companies to have a solid strategy for increasing business resilience moving forward. And there is also likely to be strong interest in seeing companies report details on their business resilience efforts, such as cyber resilience, and progress toward them through outlets such as corporate websites and environmental, social and governance reports.

3

Rethinking hiring processes — and maintaining a talent pipeline

Many finance leaders have been working closely with their human resources (HR) department and recruiting management teams to create an effective hiring and onboarding process for remote employees. Adapting to these processes hasn’t been an easy transition for many organizations, especially those that had few or no remote workers in the past.

Also, while finance leaders understand the need to embrace and refine remote hiring and onboarding practices, some remain nostalgic about in-person experiences. They worry there is increased risk they won’t make a solid hire if they can only evaluate a candidate virtually. Thinking longer term, some also wonder how they can keep remote employees motivated and evaluate their performance effectively.

On the other hand, many finance executives see opportunity in the expanded world of remote work, as it’s opened the door to recruiting talent from anywhere. That is helping them and their companies enhance their ability to find skilled candidates for hard-to-staff roles, especially in markets where competition for those types of workers remains especially strong.

¹ “ISO 22316:2017(en) Security and resilience — Organizational resilience — Principles and attributes,” ISO website accessed, November 2020: <https://www.iso.org/obp/ui#iso:std:iso:22316:ed-1:v1:en>.

We find many finance leaders keeping an eye toward the future, looking for ways to maintain their talent pipeline. As an example, Teri Reinseth, VP finance, corporate controller and chief accounting officer for 3M, explained that her company had decided to turn its global financial internship program into a virtual experience, rather than put it on hold indefinitely. This will allow the business to connect with and develop new talent and, perhaps, lay the groundwork for hiring these budding professionals in the future.

4

Identifying and addressing technical skills gaps

In many finance organizations, technical skills gaps that existed before the pandemic have either been newly discovered or have become more apparent in recent months.

Dennis Dahlen, CFO for the Mayo Clinic, noted that the crisis had made it abundantly clear to his organization that they needed more people with data science skills to create COVID-19-influenced projections for volume, revenue, sales and more.

“The data science and data rigor around (those projections) is much more advanced than anything we do on a month-to-month basis to estimate revenue, for example,” Dahlen explained. “If you look at the level of precision, modeling and predictive capabilities that we used to put into that exercise compared to the precision and data mining that we are now doing for the COVID-19 pandemic — there’s no comparison.”

But once skills gaps are identified, finding and hiring professionals with in-demand abilities like data science becomes the next challenge. In light of this issue, some firms are bringing in on-demand project professionals or consultants with the requisite expertise, or they are working with a managed services provider to manage and staff strategic initiatives requiring specialized skills. Furthermore, many finance leaders realize they may need to invest in training to further elevate the skills of new hires, or to upskill or reskill existing workers, to ensure they have a capable team to support the business through the months ahead and into a recovery.

These leaders are already looking into viable training options for their teams — including remote learning resources — so employees can learn how to work in the cloud and with advanced analytics. They would also like staff to be able to conduct process mining and process mapping, and even experiment with artificial intelligence and machine learning. These leaders are also implementing, or planning to adopt, tools like robotic process automation to start automating repetitive tasks that are destined for that transition anyway (e.g., accounts reconciliation).

5

Placing more emphasis on evaluating soft skills in the hiring process

Another top hiring priority for many finance leaders right now is assessing potential hires’ soft skills. While these skills have been growing in importance in the workplace in recent years, the pandemic has heightened the need for professionals who can communicate and collaborate effectively and demonstrate emotional intelligence, including empathy.

Behavioral or situational interview questions can be a useful tool for hiring managers trying to determine during a video or phone call whether a potential hire is likely to thrive in the company’s organizational culture and is well-suited for remote work. Questions such as, “Describe a situation where you found yourself outside your comfort zone,” or “Give me an example of a time when you had to explain something complex to a client, customer or coworker,” are coming up more often in interviews at all levels and for all types of roles.

Some finance leaders have turned to specialized recruiters for help in evaluating candidates and for assistance with remote hiring in general, including conducting reference checks.

6

Adapting to the increased focus on diversity and inclusion

Events in 2020 heightened awareness of racial and gender inequity in society. In response, many leading organizations issued statements about their diversity and inclusion goals, expanding and improving existing practices, seeking feedback from and discussion with employees and other stakeholders and external parties about these critical issues, and more.

For finance executives working to help their organization improve diversity and inclusion, best practices to apply include, but are not limited to:

- Expanding your company's diversity recruiting strategy
- Cultivating a trusting work environment
- Providing relevant diversity and inclusion training for staff
- Sharing best practices (and lessons learned when efforts fall short)
- Creating and sharing diversity and inclusion plans with the board of directors
- Measuring organizational efforts and making continuous improvements

Calvin Harris Jr., senior vice president of finance and CFO for National Urban League, offered this advice to organizations renewing or intensifying their focus on diversity and inclusion: "Consider why the change is occurring. What's the real driver?" And, Harris said, whatever the organization does to try to promote positive change in its workforce and in society, it should strive for those efforts to feel "natural and organic," noting that if actions don't come across that way, "there may be some skepticism."

These six challenges are only some of the issues that finance leaders, and their organizations, face right now amid a global pandemic, economic uncertainty and social unrest. For more insights and to learn about the experiences of the four finance leaders featured in the FEI ForwardThinking series, as well as listen to an installment featuring our analysis of several topics covered in these interviews, visit protiviti.com/US-en/forward-thinking.

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