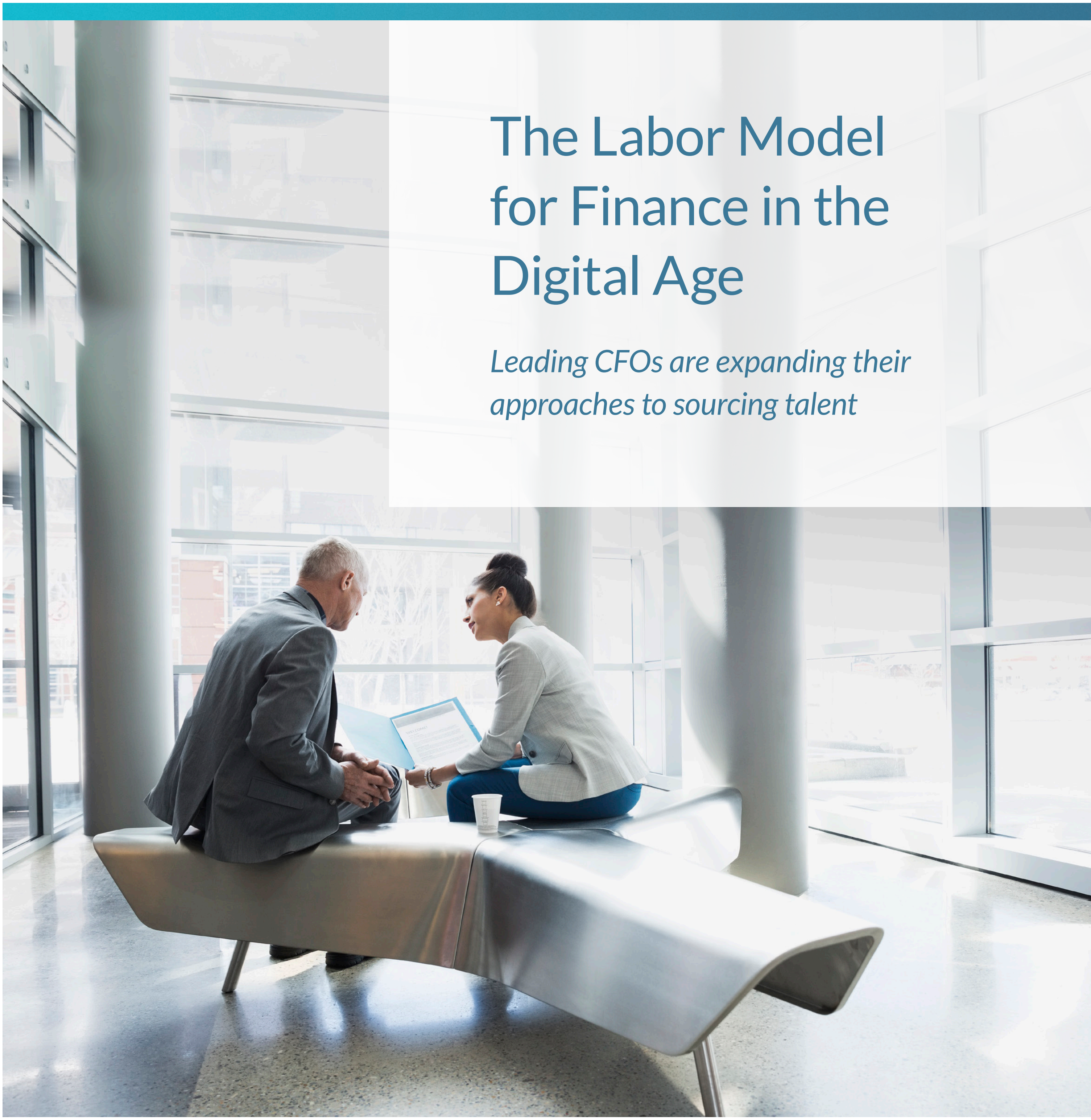
Robert Half®

protiviti®
Face the Future with Confidence

The Labor Model for Finance in the Digital Age

Leading CFOs are expanding their approaches to sourcing talent



Introduction

There are few, if any, finance and accounting functions that are not experiencing some form of change.

These changes come in many forms, such as rapid organic growth, company mergers or acquisitions, digital transformation, regulatory reform, or industry disruptions sparked by competitors with new business models. As the business transforms, it creates a profound ripple effect throughout the enterprise and, especially, within finance and accounting. Consider, for example, the sudden spike in workloads that accounts payable and accounts receivable teams must contend with following an acquisition. Think about the comprehensive reviews of internal controls that must be performed leading up to the compliance deadline for a new financial reporting rule or accounting standard. Or, look at the volume of work involved in a major upgrade, or a new implementation, of an enterprise resource planning (ERP) system.

A scan of the literature relating to finance reveals that, over the last 25 years, the "finance function of the future" discussion has been positioned as a play for increasing the efficiency of transaction processing so that finance professionals can free up resources to focus on value-added activities such as analysis, improved reporting and building effective working relationships with operating personnel. Technology has been a part of this conversation as a means to the end and, most certainly in the digital age, continues to be recognized as a major contributor to enhancing the cost-effectiveness and value-add of the finance function. The literature also addresses aspects of managing human resources.

A gap exists, however, in the finance function literature regarding the sourcing of finance resources given today's optics, where CFOs and other finance executives face major — even disruptive — changes in their enterprise and have two overarching challenges related to: 1) skills, and 2) scale. First, the magnitude of these changes often creates a sudden need for markedly different forms of expertise. An ERP implementation requires finance professionals with technology and change management skills. An acquisition requires integration experience. Digital transformation requires data scientists. And so on. Second, as CFOs manage changes of greater magnitude and with growing frequency, they need to be able to scale up (and down) their teams — quickly and effectively — to execute these efforts. While these issues may not be new, they are more challenging today given the accelerated pace of change, changes in workforce demographics, cost constraints and unrelenting expectations for speedy responsiveness.

This escalating skills and scale challenge is driving finance executives to rethink the traditional finance labor model at a time when existing staffing models are already being disrupted by economic drivers, technological advancements and shifting generational expectations. CFOs and finance leaders who harness the power of an expanding talent ecosystem will be well-positioned to access increasingly valuable expertise while thriving as strategic business partners.

Traditional outsourcing models first extended the business capacity of organizations beyond their own walls decades ago. Today, though, newer and cutting-edge developments are jolting traditional business models and labor pools. Cloud computing platforms and applications, robotic process automation (RPA), artificial intelligence (AI), the human cloud and related advancements are equipping CFOs with far greater agility to scale up or down to exploit opportunities and respond to external threats. Broader economic, competitive and organizational disruptions are altering the skill sets finance and accounting functions need to succeed. These changes also are paving the way for companies and their external partners to work together in innovative ways.

Through external arrangements, for example, a CFO can quickly deploy a lean yet powerful combination of new automation and experienced talent to address revenue cycle challenges and practices following one or more acquisitions. Following any merger or acquisition (or multiple acquisitions), it is not unusual for the organization to experience falling revenue, as the finance department cannot easily identify the specific problems or immediately boost performance given higher workloads and demands. In these instances, an external team of experts can quickly handle increased transaction levels, detect where breakdowns and bottlenecks are occurring, help the CFO create a new structure and revenue cycle processes, and leverage interim staff to implement the new processes.

As we highlight in this paper, numerous disruptions are altering traditional labor models. As a result, a new labor model for the digital age is emerging, forcing CFOs and finance leaders to consider the skills, staffing strategies and change management capabilities their finance and accounting functions will need now and in the future.

Leaders of finance organizations are quickly arriving at the realization that having third parties support the organization during disruptive events and periods of peak workloads is the way of the future. Cost drivers, business and technological disruption, and the need for agility are driving decisions from board rooms to back offices, and companies need access to a flexible menu of ways to get work done.

— Jay Thompson, Managing Director, Managed Business Services, Protiviti

The New Normal Is Far From Normal

The rapid pace of technological developments and organizational resistance to change represent conflicting challenges for global boards of directors and business leaders right now. Mounting concerns around disruptive innovation — and their threat to core business models — significantly outpace fears of economic uncertainty and regulatory scrutiny.[1]

While technology-driven disruption creates extreme challenges, CFOs and other business leaders recognize that their companies must identify and exploit the opportunities disruption creates if they are to compete. Many of these opportunities stem from the efficiency and agility benefits of new and emerging technologies, such as cloud computing, data analytics, RPA and AI. In particular, implementing next-generation finance and accounting automation represents a significant area of investment for many companies. The most common areas finance and accounting functions are targeting for this type of automation, according to new research from Robert Half and the Financial Executives Research Foundation (FERF), include invoicing, data collection, financial report generation, and documentation and compliance, respectively.[2] Additionally, finance leaders have significant business process improvement initiatives planned for the next two years in numerous areas, including accounting operations, financial reporting, business systems, business intelligence and data analytics, risk and compliance, and internal audit, respectively.[3] Furthermore, we are seeing more companies move key functions back on shore and establish centers of excellence, creating competitive advantage but also raising numerous process stabilization and optimization considerations for CFOs.

As CFOs and other finance executives plan myriad process improvements to address their priorities and changes in the organization, they immediately confront a range of difficult talent management questions:

- *How do we resource these efforts (e.g., reassigning internal staff, hiring interim staff, investing in consulting services or some combination of those approaches)?*
- *How do we hire and groom new expertise at a time when competition for in-demand talent has never been more intense?*
- *Does a traditional outsourcing relationship meet this need?*

Given the need to complete major initiatives quickly, manage through internal budget constraints, and address fierce competition for data scientists and other in-demand finance and accounting skill sets, more CFOs are finding that they can benefit significantly by working with external partners. The question — and it is a crucial one — becomes how to do so. Developing the most effective solution requires an understanding of how the overall labor model is transforming, and why a new finance labor model is needed today.

1 *Executive Perspectives on Top Risks for 2018*, North Carolina State University's ERM Initiative and Protiviti: www.protiviti.com/toprisks.

2 *Benchmarking Accounting and Finance Functions: 2018*, Robert Half and Financial Executives Research Foundation: www.roberthalf.com/research-and-insights/workplace-research/benchmarking-the-accounting-and-finance-function.

3 Robert Half Management Resources survey of more than 2,000 finance leaders: www.roberthalf.com/blog/management-tips/finance-leaders-business-process-improvement-plans.

A New Labor Model

The decades-old traditional labor model is already being supplanted within a growing number of companies.

Consider the staffing approaches at some of the world's largest technology companies. Google parent company Alphabet, which *Fortune* magazine has ranked as the best company to work for in seven of the past 10 years, employs roughly equal numbers of full-time and outsourced workers.[4] Microsoft adheres to a similar model, relying on a large percentage of outsourced or "managed services" staff as part of its overall workforce.

The use of contractors, contingent employees and similarly flexible staffing mechanisms has surged to the point at which it has now earned its own catchphrase: the "gig economy." Today, slightly more than a third of the U.S. workforce currently consists of freelancers; by 2027, the majority of the workforce will be freelancing.[5] This development suggests many companies are striving to establish and manage more complex talent ecosystems that extend beyond their traditional boundaries.

Although the rapid growth of the gig economy is a relatively new development, the model is part of a concept that arose nearly three decades ago. In his 1989 book, *The Age of Unreason*, the organizational behavior and management expert Charles Handy introduced the "Shamrock Organization," a framework for organizing the workforce of the future into three categories (or "leaves" of a shamrock):

1. Full-time employees who form the company's "professional core"
2. A "flexible labor force" consisting of resources deployed to temporarily address peaks in staffing needs
3. A "contractual fringe" consisting of resources the enterprise leverages by contracting with other organizations to provide additional capabilities and are compensated on results, not hours[6]

Handy's framework was prescient on two counts. First, his Shamrock Organization and the variations it inspired predicted the widespread adoption of traditional outsourcing in the late 1990s through the 2000s.[7] Second, Handy's labor model — and especially his thinking on the flexible labor force (which currently resonates with the rise of the human cloud and the employee-employer expectations and preferences voiced by millennial and Generation Z workers) — offers a potential solution to address the mounting strains on the traditional labor model.

By organizing their extended workforces into three categories, as outlined by Handy, organizations can better position themselves to address two significant issues:

1. Hiring, developing and managing each labor pool in an optimal manner; and
2. Understanding and harnessing technology's role in simultaneously supporting, challenging and shaping each labor pool.

Managing each of these labor segments poses unique challenges.

As competitive, regulatory and technology-driven changes intensify, the professional core of full-time employees at most companies needs to become more adroit in responding to and managing change, as well as more deeply skilled in key areas.

4 Weber, Lauren. "The End of Employees," *The Wall Street Journal*, Feb 2, 2017: www.wsj.com/articles/the-end-of-employees-1486050443.

5 Kasriel, Stephane. "4 Predictions for the Future of Work," World Economic Forum, Dec. 5, 2017: www.weforum.org/agenda/2017/12/predictions-for-freelance-work-education/.

6 Handy, Charles. *The Age of Unreason*, Harvard Business School Press, *1989*.

7 Handy, Charles. "The Shamrock Organisation," London Business School, Jan. 14, 2015: www.london.edu/faculty-and-research/lbsr/the-shamrock-organisation#.WtS0kWEh3Cw.

Recruiting and hiring this talent will get more difficult before it gets easier. We project that the United States will experience a shortfall of up to 250,000 data professionals within the next decade. The company's research also shows U.S. organizations that are changing staffing levels in response to a digital transformation effort are five times more likely to add staff than they are to reduce headcount.[8] This may explain, in large part, why 91 percent of CFOs are currently experiencing recruiting challenges.[9] The skill sets they require in their organizations are evolving so rapidly that it is becoming increasingly rare to find candidates who satisfy all of a role's specifications. Also of note, employers frequently have resource needs, as part of both digital transformation initiatives and other projects, that are of a finite nature and don't require full-time hires.

These are among many reasons supporting the increased use of a flexible labor force. In particular, more organizations are working with interim professionals, according to the *Benchmarking Accounting and Finance Functions: 2018* report. As this reliance grows, companies will need to develop new mechanisms to strengthen relationships with part-time and interim professionals.

As organizations increasingly deploy individuals and firms on the contractual fringe to perform higher-value work, they will want to work with trusted external partners who can help introduce new capabilities and solutions quickly thanks to their deep and nuanced knowledge of the company's people, processes, technology and corporate culture.

New and emerging technology also will greatly influence — often by enabling and sometimes by making more complex — how companies design and manage new labor models. To illustrate, the convenient access to powerful functionality that cloud computing allows is now being applied to talent. Companies now enjoy access to a broad base of consulting, interim and freelance professionals, who help make up the human cloud, available immediately and on-demand. These professionals are highly skilled and often choose project-based work as their full-time career option.

The work that is created as a result of new business models, industry consolidation and new automation will not fit easily into traditional jobs, nor will it always be optimally sourced through traditional employment. Work will need to extend beyond jobs within organizations, and instead be measured and executed as more deconstructed units, engaged through many sources. The flexibility offered by options such as consultants, interim professionals and the human cloud provides firms with the resources they need — when they need them — to staff a diverse range of projects and quickly scale their staffing levels as needed.

Talent shortages, the increasing volume of project work and the rapid pace of business change are driving the need for consultants and interim professionals who can provide in-demand skills on demand.

— Tim Hird, Executive Director, Robert Half Management Resources

8 *Benchmarking Accounting and Finance Functions: 2018*, Robert Half and Financial Executives Research Foundation: www.roberthalf.com/research-and-insights/workplace-research/benchmarking-the-accounting-and-finance-function.

9 Robert Half survey of more than 2,000 CFOs: http://rh-us.mediaroom.com/2018-05-01-Is-Your-Company-Ready-For-Tax-Changes.

What CFOs Will Want

As a new labor model emerges, CFOs and other finance executives will need to continually monitor how the skill sets their functions need to thrive are evolving. Finance and accounting leaders also should recognize how their company's — and their function's — hiring and development practices must change to enable and support new labor models. Finally, finance chiefs should ensure that sufficient attention is devoted to managing change within their domains as their core skill sets, business processes and supporting technology continue to transform.

Like other functional leaders, more CFOs seek a rare combination of technology know-how, functional expertise and soft skills. The top attributes currently sought by finance and accounting leaders in response to digital transformation, according to Robert Half and FERF, include:

1. Communication
2. Enterprise resource planning (ERP)
3. Data analytics
4. Creativity
5. Cloud systems[10]

In our work and discussions with CFOs and finance executives, we now hear the term "part" much more frequently when it comes to hiring and developing talent. Finance chiefs say they want full-time finance and accounting experts who are "part data scientist," "part storyteller" and "part business collaborator." These changing needs are driving more finance and accounting functions to rewrite job descriptions and hiring profiles. "To succeed as a professional accountant … a vastly different set of skills is required than was necessary just 10 short years ago," notes the chief executive of the Association of Chartered Certified Accountants (ACCA) in a paper that identifies the following six skills as the building blocks of leading accountants:

- Data analysis
- Effective communication
- Relationship-building
- Creativity
- Business acumen
- Tech savvy[11]

Companies also are reconfiguring their hiring strategies and approaches, and these changes affect talent sourcing in all functions, including finance and accounting. More companies now employ multiple staffing strategies. In addition to supplementing full-time staff with interim professionals and consultants, leading organizations have significantly expanded the ways in which they source talent and expertise. Within these enterprises, talent management needs are met through a range of approaches, relationships and technologies, including outsourcing and offshoring, consulting partnerships, interim staffing, traditional automation, business process as a service (BPaaS) relationships, managed services, robotics, AI, and human cloud arrangements.

[10] *Benchmarking Accounting and Finance Functions: 2018*, Robert Half and Financial Executives Research Foundation: www.roberthalf.com/research-and-insights/workplace-research/benchmarking-the-accounting-and-finance-function.

[11] *The Six Skills Accountants Need to Survive the Robot Uprising*, BlackLine: www.blackline.com/resources/whitepapers/the-six-skills-accountants-need-to-survive-the-robot-uprising.

Many of these mechanisms are interrelated and further fuel the need for certain skills and expertise. For example, while AI applications may fill a finance and accounting need that previously would have been addressed by bringing on a full-time hire, they still require human expertise to succeed (e.g., knowledge of the application and the judgment needed to focus the algorithms on the right business questions).

As companies rely more on external providers to help them recruit, develop and manage their talent, including full-time and contingent staff, they need partners who possess deeper knowledge of their strategies, risks and opportunities. This knowledge — which is akin to the knowledge that external auditors gain from working with their clients over time — helps ensure that rapidly changing talent needs can be met quickly and effectively enough to exploit new opportunities.

On a more tactical level, finance leaders are modifying how their functions hire — especially when it comes to finding and attracting "unicorns" who fulfill all of a role's many specifications. We've seen finance and accounting functions become more open to hiring for "must-have" skills while ensuring that training and development programs equip new hires with "nice-to-have" skills. Robust finance and accounting development programs increasingly include a menu of professional development options, including experiential learning and plenty of opportunities that extend beyond traditional finance and accounting boundaries.

Finally, we see leading finance and accounting leadership teams paying close attention to change management challenges and capabilities. Changes are coming at businesses faster and in more ways than during any previous era. Each change requires unique skills and technical solutions. The rapid pace of change is contributing to rising worries and anxiety among employees. Two years ago, technology firm BrightHR asked external accountants about their client companies' ability to manage workforce-related changes; their response was not optimistic. Eighty-six percent of those surveyed believed their clients' HR capabilities and systems would be insufficient or outdated within five years due to how quickly traditional labor models are changing. Two-thirds of those accountants were also apprehensive about future changes in their own companies.[12]

As companies rely more on external providers to help them recruit, develop and manage their talent, including full-time and contingent staff, they need partners who possess deeper knowledge of their strategies, risks and opportunities.

[12] Harris, Paul. "How the Future of Work Will Impact Accountants and Their Clients," AccountingWEB, 2015: www.accountingweb.com/community/blogs/paul-harris-bright-hr/how-the-future-of-work-will-impact-accountants-and-their.

In Closing: Your Labor Will Not Be Based Exclusively in Your Organization

Responding to business disruptions requires a finance labor model that relies on a broader portfolio of employment arrangements and technology solutions. This new finance labor model also will drive the need for CFOs to expand their skill sets. These leaders will see promising opportunities to succeed amid the change, provided they take the necessary steps to prepare. Breaking the traditional mold, tapping into new and diverse staffing strategies, serving as a recognized leader within the organization, and embracing technology will set them on their way. Ultimately, CFOs will stand out by committing to being disruptors themselves.

ABOUT PROTIVITI

Protiviti is a global consulting firm that delivers deep expertise, objective insights, a tailored approach and unparalleled collaboration to help leaders confidently face the future. Protiviti and our independently owned Member Firms provide consulting solutions in finance, technology, operations, data, analytics, governance, risk and internal audit to our clients through our network of more than 70 offices in over 20 countries.

We have served more than 60 percent of *Fortune* 1000® and 35 percent of *Fortune* Global 500® companies. We also work with smaller, growing companies, including those looking to go public, as well as with government agencies. Protiviti is a wholly owned subsidiary of Robert Half (NYSE: RHI). Founded in 1948, Robert Half is a member of the S&P 500 index.

ABOUT ROBERT HALF

Founded in 1948, Robert Half is the world's first and largest specialized staffing firm and has more than 300 staffing locations worldwide. The company's professional staffing divisions include Accountemps®, Robert Half® Finance & Accounting and Robert Half® Management Resources, for temporary, full-time and senior-level project professionals, respectively, in the fields of accounting and finance. Robert Half is also the parent company of Protiviti.

For more information about the specialized staffing and recruitment divisions of Robert Half, visit www.roberthalf.com. Robert Half is an Equal Opportunity Employer M/F/Disability/Veterans.

CONTACTS

Jay Thompson
Managing Director, Managed Business Services
Protiviti
+1.713.314.4923
jay.thompson@protiviti.com

Tim Hird
Executive Director
Robert Half Management Resources
+1.925.913.1809
tim.hird@roberthalf.com

Robert Half®

protiviti®

roberthalf.com

protiviti.com