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Finance Talent Management:

Workforce Challenges for Building a Leading Finance Function

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Agenda

- The evolution of the finance function
- Recent KPMG finance research
- Current state of the workforce
- Bridge the knowledge gap
- Recruit skilled workers
- Retain top talent
- Taking a holistic approach

The evolution of the finance function

Role of the financial manager

- Financial Managers and finance functions are continuing to evolve assuming multiple new responsibilities
- Historically, Financial Managers have served as stewards of an organization's assets
- Today, the role of the Financial Manager is no longer confined to accounting, financial reporting and risk management. It's about leveraging the information that already resides within finance and being a strategic business partner of the Organization Leader
- No longer are Financial Managers only preoccupied in building credibility for the finance function, Financial Managers have to instill a sense of confidence among employees, customers, and partners as the one person who has all the answers
- Financial Managers have an important role to play in reading and understanding evolving business drivers and helping their departments plan strategically and seize opportunities

As the role of the Finance function has evolved, so has the needed skills and competencies within Finance

The evolution of the finance function (continued)

Needed competencies and Skills in finance

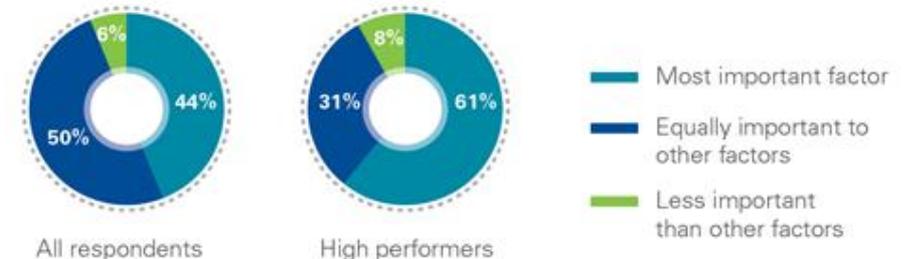
- In the past decade:
 - The role and expectations of the finance function has evolved significantly
 - Finance employees have undergone successive waves of technological, regulatory, business process and structural change
- With increasing internal and external demands, more diverse skill requirements and more complex organizational structures, finance executives are finding that recruiting, managing and retaining talent is one of their most important objectives – and one of the most difficult to achieve
- More diverse skill sets are needed: *strategic thinking, data analytics, performance measurement and management, people and change management, etc.*

Fiscal Managers must adapt their talent management practices in order to preserve today's operations and further prepare their organizations for the future

Recent KPMG finance research

- KPMG recently conducted a survey of more than 440 finance executives across the globe comprising multiple industries and public and private sectors
- Key questions centered around the following topics:
 - Strengths, weaknesses and critical capabilities across core finance process areas and activities
 - Evolution of the finance function’s role
 - Anticipated changes in finance operating models, drivers for change, and challenges
- 44% of “All respondents” and 61% of the “High performers” indicated that talent management was the most important factor for the success of their organization’s finance function
- More importantly, only 6% believe other factors are more important

How important is talent management to improving your finance function in the next two years, compared to other factors?



Recent KPMG finance research (continued)

- 33% of “All respondents” and 35% of “High performers” see talent management as the most difficult finance function process to improve.

Which finance function process, if any, is the most difficult to improve?

All respondents



Talent management is seen as the most important factor yet most difficult finance function to improve

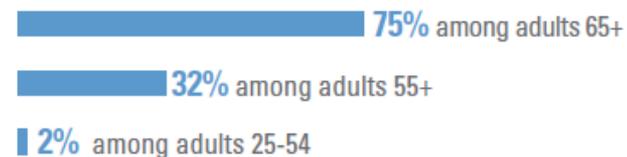
Current state of the workforce

- The current state of the workforce has changed – older workers staying in or returning to the workforce, alongside the high rate of youth unemployment
- Unfavorable economic situations and retirement portfolios, longer life expectancies, and falling birth rates has forced Baby Boomers to remain in the workforce, but as the economy improves, retirements will begin to unfold rapidly
- A large number of Baby Boomers in government workforce creates a significant succession problem
 - Personnel, such as deputy managers, with the experience and training to replace their superiors, such as department heads/leadership, are expected to retire at the same time as their bosses creating a succession gap
- Adults 55+ will grown from 19% to 25% of the total workforce from 2010 – 2020
- Adults 65+ in the workforce will grow by 75% from 2010 – 2020 (Compared to 2% growth of ages 25 – 54)

The US population aged 65+ is expected to **MORE THAN DOUBLE** to 92 million by 2060.



From 2010 to 2020, the total workforce in the US will grow by:



Current state of the workforce (continued)

Below are top concerns from state and local government executives according to a Center for State and Local Government Excellence's 2014 Survey:

- Recruiting and retaining qualified personnel
- Staff development
- Succession planning
- Employee morale
- Competitive compensation packages
- Public perception of government workers

These challenges can be addressed by effectively tackling the following three initiatives:

- **Bridge the Knowledge Gap**
- **Recruit Skilled Workers**
- **Retain Top Talent**

Bridge the knowledge gap

Current situation

A large number retiring workers creates a “brain drain,” where years of accumulated knowledge exits the workplace

- This is especially true in public sector organizations where Baby Boomers makeup a significant number of the personnel
- A “brain drain” can damage an organizations ability to effectively deliver services to the people
- There is a high rate of youth unemployment making knowledge transfer more difficult

To retain older individuals in the government workplace, States across the U.S. are leveraging their policy and regulatory tools to support ongoing employment by older workers, including:

- Reforms to pension programs
- Changes in health insurance coverage
- Restructured, deferred retirement incentives

Bridge the knowledge gap (continued)

Next Steps

The following options allow for gradual transitions that ease the expertise-transfer process while creating employment opportunities for the young staff

- Mentorship programs
- Job-sharing
- Telecommuting
- Part-time work
- Phased-retirement programs

Prioritize the involvement of older individuals in efforts to engage, educate, and train younger individuals on valuable learnings including:

- Tangible job skills
- Successful workplace assimilation strategies
- Career-trajectory thinking

New working models:

- Designed to reduce physical demands on aging employees, enabling them to remain active until statutory retirement age
- “Encore Career Programs” that create new compensation tiers that secure experienced skill sets for employers
- Succession planning that allows for a fluid transfer of knowledge and skills
- Training and courses aimed to cover practical as well as theoretical issues, including payment mechanisms, managing relationships, disputes and variations

Recruit skilled workers

Current situation

Employees entering the workforce derive job satisfaction from different sources than their Baby Boomer counterparts. Governments must cultivate an environment that appeals to a younger labor pool in order to compete for talent with the private and non-profit sectors. Some barriers to effective recruiting include:

Recruiting Strategy:

- Difficulty aligning finance workforce talent strategy to the organization and the services it provides to the public
- Recruiting efforts focus on short term needs without anticipating future organizational challenges

Common Perceptions:

- Government salaries are non-competitive
- Budget constraints and uncertainties make government employment unstable
- Hiring process is lengthy and confusing
- Poor image of Government as an employer

Recruit skilled workers (continued)

Next Steps

Provide Better Financial Incentives

- Higher entry level salaries for exceptional qualifications, signing bonuses, and student loan repayment

Cultivate Relationships with Higher Education Institutions (Public-Public Partnerships)

- Target schools, participate on campus (internships, speeches, etc.), and maintain contact even when not hiring

Proactively Plan Recruiting Efforts

- Anticipate skillsets of the future and align recruiting efforts to address potential talent deficiencies before they become disruptive to operations

Deploy Marketing Campaign to Improve Perception of Government Employment

- Utilize organization's website, paid advertising, professional networks, and college visits to educate applicants on the benefits of working for the Government

Streamline the Hiring Process

- To prevent "Application Attrition," develop clearly defined job descriptions, utilize online applications, and provide a reasonable hiring process that is fair, open and efficient

Measure Recruiting Process Success

- Talent attraction requires recruiting infrastructure (sufficient funding, skilled personnel and active CFO participation) but also a cost-benefit and results analysis of the strategies used to attract employees

Retain top talent

Current situation

Sources of employee dissatisfaction often include:

- Undefined career path with limited room to grow within the organization
- Lack of professional development, training, and resources to grow skill sets
- Perception of slow, collegial culture and unchallenging environment
- Undemanding job duties
- Uncompetitive pay scales compared to the private sector

“Given the high costs of recruiting and training new staff and the potential for diminishing quality, motivating and retaining people is critical” – KPMG Survey Respondent

Retain top talent (continued)

Next steps

Provide an engaging, challenging work environment that values employees

- Offer performance feedback, mentorship/onboarding opportunities, competent supervisors, and recognition of employee achievements that align with the organization's values and goals

Define appealing employee career paths and incentivize quality work and innovation

- Includes management opportunities, leadership and business development, personalized development plans, career goal setting and timely performance reviews

Develop diverse skillsets in anticipation of emerging needs

- Offer tools, cross-training, and programs to help people manage and progress in their careers, including challenging employees to gain more skills

Track Retention

- Measure employee turnover and improve turnover ratio by evaluating drivers (ex: uncompetitive benefits, work stressors, poor supervision, etc.)

“Retaining and training finance professionals to become the next generation of finance leaders is key to the organization’s future success: – KPMG Survey Respondent

Taking a holistic approach

- Managing Human Capital requires Fiscal Managers to prepare for change by concurrently addressing issues facing both spectrums of the workforce (older and younger generation)
- Success depends upon the simultaneous employment of the following initiatives:
 - Effectively addressing the changing workforce
 - Bridge the knowledge gap
 - Recruit skilled workers
 - Retain top talent



Governments and other organizations have an opportunity to identify and implement analytic, policy and programmatic solutions to address the employment challenge. To succeed, it is crucial for governments to develop a holistic framework that is focused on supporting the co-existence of old and young in the workplace.



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