

Think Ahead

ACCA

Complete finance professionals

How Indian
businesses are
addressing skills
gaps in their
finance function

Complete finance professionals: how Indian businesses are addressing skills gaps in their finance function

Businesses in India, whether national corporations or the Indian subsidiaries of multinationals, increasingly recognise the importance of attracting and developing high-calibre talent.

For Indian businesses to compete effectively in a global marketplace they need to embrace an international outlook and boost the skills and experiences of their business leaders today and their leaders of tomorrow. Nowhere is this step-change more important than in the finance function. At all stages throughout their career accountants and finance professionals contribute significant expertise and insight to the strategy, operations and management of their businesses. With the Indian economy expected to grow at a faster pace than China over the next five years, finance professionals will play a vital role in helping to navigate this path to growth.¹

The path to growth is not without its challenges. As the Chief Financial Officer of one Indian manufacturing business argues,

“Managing the finance function is becoming more and more complicated: it is very difficult to keep abreast of the changes ahead.”

These changes – including increased regulatory and reporting requirements, pressures on cost and margin, and volatile foreign exchange rates – have a significant impact on the range of skills needed within the finance function. He continues,

“We need finance professionals who not just technically correct, but also have a deeper understanding of business and financial controls.”

ACCA, working in partnership with consultancy Meridian West, has conducted in-depth research among 20 of the largest Indian national and multinational corporations, as well as accountancy firms operating in India, to better understand how the skills required of Indian finance professionals is changing and where the most significant skills gaps exist currently. This paper summarises the findings of that research. It highlights the areas that Indian businesses can focus on take to equip their finance professionals with the skills they will need to excel both today and for the future.

¹ International Monetary Fund 'World Economic Outlook': <http://www.imf.org/external/country/IND/index.htm> (July 2015).

The Indian finance department: a function in evolution

The Indian finance leaders in our research describe running finance teams that are increasingly expected to contribute to the overall strategic direction of their business, and not just to ongoing financial management and accounting processes. They are expected to be business partners to the CEO and work collaboratively with other functional leaders to implement projects and initiatives that will enable their businesses to gain competitive advantage in an international market. The CFO of one leading Indian technology business says,

“The finance function plays an integral part in the growth strategy of companies in India, perhaps more so in India than anywhere else.”

The need to become a strategic business partner has become critical for finance leaders as Indian companies look beyond their domestic markets for long-term, sustainable growth. Operating within an international context presents many challenges for the finance function, for example the need to comply with international accounting and reporting standards, liaise with global investors, and access financing abroad. Added to this is a complex and evolving regulatory environment; one Indian CFO observes,

“There are major changes happening in international regulation which will impact on our financials and our compliance processes.”

These various challenges require finance professionals to get closer to their business on the one hand and to develop a wider view of economic and business trends on the other.

The CFOs in our research cite five common issues underpinning the evolution of the finance function in India:

- **IFRS compliance.** Increased levels of compliance, new regulatory changes and reporting requirements – particularly the introduction of IFRS – are putting pressure on the finance team’s workload.
- **Cost control.** As well as pursuing aggressive growth, particularly in global markets, CFOs are becoming increasingly aware of the need to control rising costs and to work with colleagues in other areas of the business to improve efficiency.
- **Currency fluctuations.** Increased volatility of the Indian rupee against the US dollar and other global currencies adds uncertainty for Indian businesses pursuing an export-led growth strategy.
- **Forward-planning.** The finance function is now expected to act as a sounding board to other parts of the business, and to offer a view on issues influencing business planning and future strategy.
- **Technology.** Technology and specialist accounting software are playing a more central role in the day-to-day operation of the finance function as CFOs seek to automate finance processes and cut costs.

Fit for the future: broadening the skills required of Indian finance professionals

To respond effectively to the challenges outlined above, Indian finance professionals need to broaden their technical and professional skills. Employers recognise that the complex business environment they face will require well-rounded finance professionals not just technical experts. In practice this means not only having a sound technical understanding of the accounting issues impacting business, but also of the wider business and strategic implications. Indian businesses say they need finance professionals who can apply their knowledge and skills in a commercial context: "A graduate might know the provisions of a particular finance regulation, but they also need to know the practical implementation of that," says the CFO of a leading Indian financial institution.

"When I recruit people to the finance team I look for polished professionals who are able to evaluate the impact of finance regulation and risk, and who can communicate this to a wider group of stakeholders within the business."

The skills required of finance professionals in India changes as people progress their career. The Indian businesses interviewed in ACCA's research say that the majority of roles (sometimes up to 85%) within their finance function are filled by individuals undertaking routine accounting and finance tasks. At this level employers expect a solid technical understanding of practical accounting processes, audit and taxation, and an ability to apply this knowledge in context. Employers say IT skills are very important as are English language skills and a clarity of verbal and written communication. A high level of professionalism and ethics is expected across all levels of the finance function.

Expectations of the skills that mid-career and senior level finance professionals need to demonstrate are even higher. As individuals progress through their careers professional skills such as proactivity, team work and communication become more integral to the role. For example, in order to be an effective business partner, finance leaders must be able to simplify complex financial ideas and communicate these with tact and sensitivity. Within accounting firms professionals are expected to apply these skills through their interactions with clients; as the Managing Partner of one mid-tier accounting firm observes,












"Verbal communication is extremely important when dealing with clients: our accountants need to be able to articulate their ideas to clients clearly and concisely and offer a view on the impact this will have for their business."





Closing the skills gap: areas of focus for Indian finance professionals

Figure 1: The skills gaps identified by Indian employers at different levels within the finance function

A major gap / significant concern A gap / some concern	Competency	At what level is skills gap currently most concerning for employers?		
		Junior level	Mid-level	Senior level
ESSENTIAL – a hygiene factor for recruitment at all levels	Technical skills	Not a concern	Not a concern	Not a concern
	Professionalism and Ethics	Not a concern	Not a concern	Not a concern
VALUED – important skills particularly for mid and senior level professionals, but not essential for recruitment at a junior level	Applying technical knowledge			Not a concern (developed sufficient career experience)
	Soft skills	Not a concern (not required)		
	Business and strategic thinking	Not a concern (not required)		
NICE TO HAVE – skills that employers find valuable, but which they expect people to develop on the job	Leadership and management	Not a concern (not required)		
	Sector specific knowledge			

Although Indian organisations have a clear sense of the skills and competencies required of their finance teams to succeed both now and in the future, the CFOs interviewed for ACCA's research highlight many common skills gaps among their finance professionals. **Figure 1** highlights where the most significant skills gaps are within Indian finance functions. At the junior level the biggest gap is the ability to apply technical knowledge to a commercial context: employers report finance graduates adopting a 'textbook mindset' in their approach to problem-solving, rather than evaluating the broader commercial context of the issue at hand.

At the mid-level there is a consensus that finance professionals need to focus on developing their professional skills such as communication, teamwork, strategic thinking and proactive problem-solving. The CFO of an Indian media company says,

"Accountants need to develop a deeper understanding of how business works at the operational level, not only the financial level: this is what will help them progress their career."

For senior finance leaders the main skills gaps identified centre around business partnering and strategic thinking skills. In practice this means developing a deeper understanding of external markets, sector-specific issues and changing customer needs and how these change the priorities of the finance function now and in the future. The CFO of a leading global FMCG business with a large Indian subsidiary says,

"Finance leaders need to know what's happening in marketing, sales, HR and IT,"

"I would expect somebody in a senior finance position to have this view: this is not just about adding value to the business, but is an essential requirement for finance professionals to execute their own role successfully."

As Indian business expand globally, CFOs acknowledge that at the senior finance level a global perspective and outlook on issues is incredibly helpful in addressing the challenges that Indian businesses face. For example, understanding how finance leaders in other countries have tackled the challenges associated with IFRS compliance, or hedged their balance sheet effectively against volatile FX markets can help Indian businesses be better prepared to address these issues in their own market. To build their knowledge and understanding of these issues Indian finance leaders want to build their network and access to global peers; the CFO of one Indian natural resources company says,

"An understanding of global best practices and specific insights from countries in different parts of the world enables me to apply the learnings when grappling with similar problems,"

So how are Indian business addressing the knowledge and skills gaps they have identified? Although there is an expectation that people will develop and refine their skills on the job, many Indian businesses are now making significant investments in training and continued professional development for their finance staff. "Training is a helpful way for our teams to learn new knowledge or update their skills sets; we will often send members of the team to seminars or external training sessions to improve their skills," says one Indian CFO.

Tomorrow's finance leaders today: How ACCA is helping to address the skills gaps in Indian finance functions

The search for talent is increasingly spirited. Employers are actively seeking talented and skilled individuals who can work across borders and time zones, people with the knowledge and enthusiasm who can make a business grow and thrive in a progressively competitive world.

Perhaps more than any other function, it is the finance function that builds and upholds a business's path to growth.

Without finance - money - staff can't be recruited, a strategy can't be made a reality and trading in the domestic and international markets will be a struggle, if not impossible. Without a talented finance team, without accountants who possess the complete skill-set a modern day finance function needs, then goals - large and small - cannot be achieved.

Consequently, it stands to reason that talented, ethical and professional accountants are needed to manage finances, and all the work that's associated with it - from tax compliance to audit to corporate governance to strategic oversight and planning.

ACCA has worked for over a century to develop the profession, by providing relevant qualifications for finance professionals to ensure the wheels of business in the public or private sectors run smoothly. ACCA's modern and up-to-date qualifications enable the profession to thrive on the global stage. As an example of this relevance, the main ACCA Qualification includes the practical application of skills that an accountant needs to succeed. With its focus on the 3 Es - exams, ethics, experience - ACCA prepares accountants who can think ahead, and who are more than competent in all aspects of finance. For ACCA what matters is not just what ACCA accountants learn, but how they put it into practice. Practical application is part of the syllabus, assessment and experience requirements – and this makes ACCA qualified accountants eminently employable, able to hit the ground running.

ACCA's approach is innovative. Its global team works with employers and learning providers to develop a number of

'firsts' (see table below), for a profession that relies on excellent education and training.

Such developments prepare people to become the in-demand and talented professional accountants that instil trust, and who can apply technical knowledge in a commercial environment.

As the Indian finance leaders say in this research, finance teams are expected more than ever to think strategically and to take a wider view. This is especially relevant for managing the technicalities of accounting. The ACCA Qualification not only trains competent technical accountants, but instils strategic thinking, business acumen and leadership, to ensure that ACCA accountants and finance professionals are at the heart of the business decision making process.

At the highest level, the CFO's role is one that demands a complete skill set, regardless of the sector in which they work. They must master a broad range of capabilities from supporting businesses to managing risk; from developing growth strategies to providing financial insight for intelligent decision making. And they must do all this while emphasising the need for good governance, control, and ethics.

India is on a rapid growth trajectory, and the world is looking to invest in the country. At a time when India is looking to secure this inward investment, and when ACCA's Global Economic Conditions research shows that India's economy is buoyant, there is clearly a need for professional accountants who can drive this growth agenda, sustain it for the long term and with an ethical approach that inspires trust.

It is clear that Indian business leaders are looking to address current knowledge and skills gaps. They know what is needed to future-proof their businesses, so are doing the 'right thing' by investing in training and continued professional development for their finance staff. This investment in tomorrow's talent bodes well for India's economy, and for its accountancy profession.

ACCA's firsts include:

- The introduction of on demand computer-based exams as early as 1998
- Using IFRS in exams since 1996 in recognition of growing convergence of accounting standards
- From 2007, placing ethics at the centre of the qualification with a separate ethics module
- Examining integrated reporting <IR> throughout the professional Level exams, from December 2014
- Offering four exam sittings a year from September 2015
- An online learning platform called ACCA-X
- The first integrated Masters degree in Professional Accountancy with the University of London, customised with two pathways for both ACCA students and its Members/Affiliates wishing to get ahead in their career.

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