

ACCOUNTANTS FOR BUSINESS

Building a better business through finance diversity

ABOUT ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

We support our 147,000 members and 424,000 students throughout their careers, providing services through a network of 83 offices and centres. Our global infrastructure means that exams and support are delivered, and reputation and influence developed, at a local level, directly benefiting stakeholders wherever they are based, or plan to move to, in pursuit of new career opportunities. Our focus is on professional values, ethics, and governance, and we deliver value-added services through our global accountancy partnerships, working closely with multinational and small entities to promote global standards and support.

We use our expertise and experience to work with governments, donor agencies and professional bodies to develop the global accountancy profession and to advance the public interest.

Our reputation is grounded in over 100 years of providing world-class accounting and finance qualifications. We champion opportunity, diversity and integrity, and our long traditions are complemented by modern thinking, backed by a diverse, global membership. By promoting our global standards, and supporting our members wherever they work, we aim to meet the current and future needs of international business.

ABOUT ACCOUNTANTS FOR BUSINESS

ACCA's global programme, *Accountants for Business*, champions the role of finance professionals in all sectors as true value creators in organisations. Through people, process and professionalism, accountants are central to great performance. They shape business strategy through a deep understanding of financial drivers and seek opportunities for long-term success. By focusing on the critical role professional accountants play in economies at all stages of development around the world, and in diverse organisations, ACCA seeks to highlight and enhance the role the accountancy profession plays in supporting a healthy global economy.

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This report presents insights from experts on why diversity in the finance function is important and considers how businesses can develop more diverse finance functions.

In today's finance function, diversity means much more than equal opportunities, going much further than gender, ethnicity or social equality. It is also about diversity in the ideas, skills and capabilities that people from all ranges of backgrounds, experiences, ages, geographies and cultures can bring to the finance function.

Foreword

Today's global business environment is shaping the future role of the finance function and how it best supports the business to drive value and shareholder return. Increasingly ACCA sees an evolving and broader role for CFO's and the finance function, as they seek to transform the finance function to drive efficiencies in finance operations, ensure greater governance and control, and provide the organisation with financial insight to support superior business decision making.

The success of these transformation initiatives are critically dependant on the capabilities and skills of people within the finance function. This report considers a key aspect of building this capability, specifically examining the drivers behind embedding a more diverse workforce across the finance function. This concept of diversity goes far beyond 'equal opportunities', considering more broadly how leading businesses can develop a finance function that has a diversity of skills, experiences, cultural understanding and business perspectives needed in the global economy today.

As the global body for professional accountants, one of ACCA's core values is diversity, and our 140,000 members, 404,000 students in 170 countries are testimony to the breadth of skills and experiences diversity brings. ACCA will be at the forefront of supporting businesses around the world to build finance capability and drive this important agenda moving forward.



A handwritten signature in black ink, appearing to read 'Helen Brand'.

Helen Brand
ACCA chief executive

Executive Summary

Recent years have seen significant changes in the role and responsibilities of the finance function. With both external and internal stakeholders demanding better visibility into the true drivers of corporate performance, CFOs and their teams have assumed a more strategic, business-oriented role. Routine, commoditised finance activities have often been hived off into shared service centres, enabling finance leaders to focus on their 'business partnering' responsibilities. Some CFOs are broadening their remit to take on responsibility for operational functions, such as IT or the supply chain.

This wide range of challenges of the CFO role has coincided with a renewed focus on the finance fundamentals. Since the financial crisis first struck, CFOs and their teams have implemented rigorous cost management initiatives that have helped many companies to survive the worst of the downturn. Other core skills, such as risk management, tax and treasury have also moved to the centre of business decision-making.

A combination of a broadening role and a renewed focus on the fundamentals has highlighted the importance of thinking more broadly about the skills that are needed in an effective finance function. A highly diverse set of responsibilities requires finance teams comprised of individuals who have experience of a wide range of different activities, working practices and management challenges. This has far-reaching implications for talent management. Companies need to put in place processes that help to identify talented finance executives, and give them the range of experiences they will need to succeed in a broadening role.

These trends are changing the definition of diversity in the finance function. Once seen as a 'nice to have' initiative driven largely by values, ethics and a desire to promote equal opportunities, true diversity is much broader than ensuring representation across gender, ethnic background and sexual orientation. Those factors, while still important, form part of a much more challenging but beneficial goal of ensuring that finance functions possess the management skills and capabilities they need to succeed in an uncertain, unpredictable and dynamic world.

In this new world we need a more meaningful definition of diversity in the finance function. This new definition of diversity includes diversity along gender, ethnicity and social lines, but also must be extended to capture the diversity of ideas, skills, capabilities that finance

professionals from all ranges of backgrounds, experiences, cultures and geographies can bring. It is this new definition of diversity that plays such an important role in building the capability of the finance function to meet the changing needs of business.

In this report, we briefly explore some of the drivers for embedding this new definition of diversity in the finance function and examine how companies can achieve it:

WHY IS DIVERSITY IMPORTANT IN TODAY'S FINANCE FUNCTION?

A new world for the finance function in 2012

The CFO and the finance function in 2012 are operating in a new world. Companies around the world face almost unprecedented uncertainty and the business environment is more complex and changing more quickly than ever before. There is much more information that businesses need to cut through, and more regulation on company activities. The competitive environment is ever more challenging. It is in this context that the finance function in 2012 seeks to support the business and it can only do this if it has the right capabilities in place. Diversity in the finance function matters because greater diversity in the finance function brings greater capability to the finance function.

A changing role for CFO's requires more diverse finance leadership skills

The CFO role continues to evolve. It is more challenging and more diverse than ever before. The range of internal and external stakeholders that CFO's must work with and build effective relationships has never been greater. Today's CFO need to balance their traditional custodial and operational responsibilities with their need to support the business as a strategic voice and partner. Today's CFO needs to bring a greater diversity of skills to the table to be effective.

New responsibilities for the finance function mean greater diversity of capabilities and experiences

The role of the finance function today extends well beyond its traditional finance capabilities. In some sense finance roles are becoming more technically specialised, particularly as a reflection of growing regulation. Conversely, some finance roles reflect the business' need to bring in the finance function as a strategic partner to the business, while finance transformation programmes are driving a need for finance to develop over-arching responsibilities that govern and bring together new

finance function models to best support the organisation. Across this spectrum of new roles and responsibilities, there is not only a greater need for a diversity of skills, experiences and capabilities but also a greater need for innovation and new ideas, for the finance function to be able to question why things are done in a certain way.

Diversity is essential in a global finance function

As companies expand into new geographical markets, the finance role inevitably becomes more complex. Finance teams must get to grips with different accounting, regulatory and legal environments, and juggle fast-changing tax and treasury requirements across multiple countries. Expansion into emerging markets adds further complexity because of the nature of the risks faced. The challenge, however, goes even beyond managing just these technical issues. In the global finance function, CFO's and their finance function must embrace the diversity that comes from operating across geographies and cultures and leverage this for positive outcomes.

HOW CAN BUSINESSES DEVELOP MORE DIVERSE FINANCE FUNCTIONS?

Diversity in the finance function starts with great recruitment

Finance leaders must do all they can to foster diversity across the organisation. By bringing in individuals from different background, sectors, experiences and careers finance functions will be better placed to fulfil their expanding, increasingly complex roles and responsibilities. To this end recruitment channels are evolving and embracing new technologies; on-boarding processes need to become more effective and engaging.

Businesses need to encourage diversity of experience across the finance function and into other functions

Businesses need to ensure finance professionals gain the appropriate level of experience across the finance function and beyond the finance function to develop the necessary level of capability needed. This goes beyond developing the necessary technical 'know-how'. Providing this breadth of experience enables finance to develop the broader business based skills required.

Businesses need to drive transparency in career paths across finance and beyond

A new evolving finance function means that finance career paths are less linear – the corporate lattice rather than the corporate ladder. It is difficult for finance professionals to develop the breadth and depth of

experience required without greater transparency of the roles available and the progression routes. Greater diversity in the career paths for finance professionals in the future is certain – businesses need to play their part in transparency around career development and put in place interventions such as career counselling and mentoring to support these aims.

Businesses need to provide finance leaders and the talent pipeline with global experience

In today's global finance function, it is important to ensure current finance leaders, and those destined to lead the finance function in the future have gained experience across different business units in different geographies. This exposure provides finance leaders with different insights into the challenges, issues and opportunities at national, regional and global levels as well as providing better understanding of the difference and nuances between emerging and mature markets.

Businesses must ensure finance leaders embrace open ways of working

Establishing an ethos of openness in today's finance function is important to its success. In particular finance leaders themselves must be prepared to counsel the views of others and be prepared and open to being challenged. This is particularly true as finance has sought to reposition itself as a partner to the business and as the success of the CFO role is increasingly predicated on the successful working relationships internally and externally to the organisation. A culture of openness in finance also resonates strongly with the younger generation of finance professionals in the workforce and previous studies have suggested it has a high bearing on recruitment and retention success.

Businesses should look at finance transformation programmes to drive the appropriate balance of diversity

The perennial challenge for the global finance function is the balance that must be retained between processes that can be standardised and centralised, and those that can remain local. Finance transformation programmes have increasingly sought to centralise and standardise many finance processes, but finance and transformation leaders need to be mindful of the need to balance the diversity of knowledge that can be tapped into with finance people 'on the ground' with the benefits of cost reduction and standardisation through centralisation. Getting this balance right continues to be a significant challenge.

1. Why is diversity important in today's finance function?

A NEW WORLD FOR THE FINANCE FUNCTION IN 2012

The CFO and finance function in 2012 is operating in a new world. The macro shift of west to east economic rebalancing is only the tip of the iceberg. Below, there is a hidden much more fragmented and complex business landscape; a complex evolution of national and regional trading developments, super-fast changing of technology, continually evolving business models that tap into different developments to create competitive advantage, multiplicity of customer bases and supply chains; more information, more red tape. Globalisation, competition and regulation in the external environment continue to shape the roles and responsibilities of the CFO and the finance function.

In this new environment the priorities of the finance function can be distilled to three core objectives; reducing the cost of the finance function, increasing the operational efficiency of finance ensuring appropriate control and governance, and driving the effectiveness of the finance function to help the business deliver sustainable increased performance and value. The important ingredient that helps finance deliver on these objectives in an operating environment that is both complex and global is capability. So why does diversity matter? Because without diversity in the finance function capability is sub-optimal. How can a finance function operating in this complex global environment be effective if it does not, for example, have the diversity of cultural understanding, skills, experiences and perspectives the function and business needs.

A NEW DEFINITION OF DIVERSITY IN FINANCE

This new definition of diversity goes far beyond the more immediate requirements of diversity on gender, ethnicity and social lines; it's also about diversity of ideas and skills that people from all ranges of backgrounds, experiences, ages, geographies, cultures and businesses can bring to the table – it's the great ideas and contribution that can be generated by leveraging in a positive way the friction of difference. It is an imperative for today's finance function.

A CHANGING ROLE FOR CFO'S

The role of the CFO and other senior finance executives is undergoing dramatic change. Once seen as number crunchers, finance directors are increasingly becoming trusted senior advisors and business partners. The CFO role is more challenging and more diverse than ever before. They continue to have their regulatory responsibilities, ensuring compliance with reporting and governance and managing investor relations effectively. They also must continue to discharge their custodial duties, ensuring effective control and governance across the finance function. They are tasked with driving finance operating efficiencies but now critically they are asked to become true business partners and advisers to the organisation as well, to bring that critical insight and financial lens on business decision making. Andrew Kakabadse, Professor of International Management Development at Cranfield University's School of Management, now describes the role of the CFO as being one of 'consultative facilitator'. In other words, finance leaders work must now work closely with the business to enable and implement strategic decisions.

As a consequence the range of stakeholders the CFO is engaged with continues to increase; externally – governments, tax authorities, shareholders, regulators, customers, suppliers, banks, corporate investors but also their internal engagement has increased too as they are now often seen as number two to the CEO. Whether answering difficult ethical questions, avoiding risky investment strategies or advising on how to maintain global branding and service quality, the CFO now has a far more powerful voice in the C-suite than ever before.

This more strategic role requires a broader skillset that goes well beyond the traditional finance capabilities. 'The role of CFO is becoming more of a trusted advisor, providing insight into the business, driving a lot of the strategy and with a very important seat at the table,' says Carlos Passi, assistant controller of business transformation at IBM. 'And with that change, the skills required are also different.' Roberto Mello, CFO of GE Healthcare concurs 'Technical expertise is still important, but what's different is the importance of broader leadership, building an effective team, and having strong communication skills to engage with all parts of the organisation and explain financial statements and financial matters in a language that everyone can understand'.

Recent research from Ernst & Young provides strong evidence of the extent of changes to the CFO role. In their 2011 report Finance Forte, 66% of senior finance executives questioned said that they did not think the title 'CFO' adequately conveyed the diversity of the role and a similar proportion believe that candidates who have spent their entire career in the finance function are at a disadvantage to those with direct commercial experience.

NEW RESPONSIBILITIES FOR THE FINANCE FUNCTION

Growing regulation is leading to increased specialisation and complexity of some finance roles where strong technical acumen is the pre-requisite. Alternatively, the growing role of finance as a business partner means many finance roles are increasingly orientated towards commercial support and decision making with finance providing deep insightful analysis. In the middle of this spectrum are the traditional finance roles that form the bedrock of financial information and reporting to the business. Increasingly we also see some finance professionals moving into roles which help govern the overall finance function and the interrelationships between different areas, particularly where these businesses have adopted finance shared services or outsourcing model. All of this means that the skills and experiences that finance professionals need to bring to the table are increasingly diverse. This is why CFO's continue to cite talent development as one of the key priorities, and why we see CFOs increasingly engaged with their HR counterparts to ensure effective career planning, development support and strategic workforce planning across finance.

It is not just diversity of skills that are required. It's also diversity of ideas that are important to the finance function in a fast paced changing environment. To some, the finance function has not always been seen as a centre of dynamism and innovation. But, in the wake of the global financial crisis, companies are demanding a new level of flexibility and agility from their finance executives. CFOs and their teams must deal with significant volatility, which inherently leads to a much broader range of possible outcomes from decision-making. In this environment, the ability to innovate, respond quickly and challenge entrenched viewpoints has become essential to enhanced performance.

Finance teams that comprise individuals from a range of different backgrounds will, by definition, have different opinions and experience to bring to the table. Provided they are encouraged to voice dissenting views, this can enable a much broader range of potential solutions to be discussed. 'The finance function has become really important in modelling what the business needs to take into account,' says Stevan Rolls, head of human resources at Deloitte. 'The more diverse your team is and the broader the range of life experiences you bring together, the more likely you are to be able to resolve those sorts of issues effectively. However he goes on to caution 'But you can still have a workforce with representatives from a wide range of backgrounds and not have diversity. Because it's diversity of thought that brings the real business advantage'.

Even when not in the midst of crisis, there is a growing recognition that a wide range of perspectives and experiences is critical to business success. At a time when disruptive innovations and new business models are challenging incumbents in many different industries, diversity of thought and experience can be a vital tool for staying ahead of the competition. By bringing individuals with fresh ideas into the finance function – perhaps from different industries or regions – companies will have a better chance of re-inventing themselves because the established way of doing things can be more easily challenged.

A GLOBAL OPERATING ENVIRONMENT

International expansion adds to the complexity of the CFO's and the finance functions role. Growing businesses overseas often requires accessing finance in new capital markets as well as adhering to additional local regulatory frameworks and requirements. As Mansour Javidan, a professor at the US-based Thunderbird School of Global Management and founding director of the school's Global Mindset Institute says 'Move the company into one extra market and the CFO has the same role to perform but now has to ensure there is capital market access beyond the domestic market.....as well as following domestic rules and regulations in the second country.' Differences in the legislative frameworks between one country and another add to the complexity. To ensure that they manage their compliance obligations, finance teams need to familiarise themselves with a range of different rules and regulations and integrate them into their own accountability systems.

The real challenge, however, goes beyond managing financial technicalities across borders. CFO's and their finance functions must navigate differences in culture, working practices, beliefs and languages and somehow leverage and embrace these differences to still provide a consistent service to the business. A CFO may be based in the company's domestic headquarters in New York, Shanghai, or London but, in practice, he or she is directly exposed to a network of direct reports, organisations and regulatory frameworks in every country in which it is doing business. Dealing with this huge cultural and organisational diversity requires great dexterity, sensitivity and the ability to value difference. Finance leaders must inculcate a culture across finance which is open to different working practices and be able to interact with teams according to local customs. 'You have to understand cultural nuances and adapt your communication style,' says Carlos Passi of IBM. 'Because for cultural and educational reasons, people do work differently.' Roberto Mello, CFO of GE Healthcare China thinks that a more open attitude to cultural differences is a prerequisite for building an effective international team. 'Once you have respect for and an appreciation of differences, not necessarily thinking of one as better than the other, then you can really start working on getting the best out of people and situations wherever you are based,' he explains.

2. How can businesses develop more diverse finance functions?

DIVERSITY IN THE FINANCE FUNCTION STARTS WITH GREAT RECRUITMENT.

While there is growing recognition of the need for diverse teams in the finance function, this is not always easy to achieve. In a global survey of ACCA members, 82% of respondents agreed or strongly agreed that a mix of skills, experiences and backgrounds was useful in their team or department, but only 48% agreed or strongly agreed that this diversity was present in their team or department.¹

ACCA's and KPMG's recent report on talent management,² suggests that a key component of creating a high performing finance function is ensuring an appropriate integrated talent management strategy for finance – defining what talent is, understanding how to recruit it effectively, ensuring appropriate learning and development support to leverage capabilities, appropriate succession planning and career management to drive transparency in career opportunities, and effective performance management processes to support. Yet many companies struggle with this integrated approach, and the problems often start at recruitment. Many companies have found that, because of the technical skills and qualifications required to work in finance, they face challenges in recruiting diverse teams – a pipeline of appropriate candidates is not always available.

In response to shortages of pipelines of appropriate candidates in particular markets, leading finance functions have increasingly sought to diversify and expand their recruitment base to the extent that it is not uncommon for many finance operations to employ professionals from many different countries and for finance job seekers to move internationally in the course of their career. A good example of this has been the development of finance shared service hubs to support finance transformation initiatives in many companies. Recruiting finance professionals from overseas into the centre brings greater diversity of skills and capabilities, particularly local finance technical knowledge, and of course vital language capabilities.

In recruiting finance professionals into the organisation, greater thought needs to be given to the longer term priorities and needs of the finance function. Too often the recruitment is short termist to fill a specific vacancy, but greater thought needs to be given to how roles across the business and finance function are going to evolve, the career paths that will be available and how the skills that they bring can be leveraged across finance rather than in a specific role.

Leading businesses have also started to adapt the way in which they recruit entrants into finance. In the UK for example, traditional 'milk round' recruitment activities to recruit graduates from a select number of prestigious universities has historically done little to cultivate greater social diversity of entrants into the profession. Recruitment patterns and channels are however evolving rapidly; on line and mobile technology is supporting businesses to recruit directly in a manner that is particularly appealing to the younger workforce in the profession and which is akin to being more inclusive and more diverse. On-boarding processes are evolving too, as many businesses seek to invest in on line technology and resources to enable employees to share ideas and experiences. In turn these provide a wealth of useful information for businesses to continually review the effectiveness of their recruitment and on-boarding practices to ensure inclusivity and access to all the talents.

BUSINESSES NEED TO ENCOURAGE DIVERSITY OF EXPERIENCE ACROSS THE FINANCE FUNCTION AND BEYOND

As the role of the finance function evolves, there is the growing need to inculcate finance professionals with a breadth of skills increases. There is continuing validity to developing some of these skills, often technical skills, through formal technical training. However, increasingly experiential learning is playing an important role in giving finance professionals the hands on practical experience the business or clients requires finance professionals to demonstrate.

1. *Harnessing Diversity for Global Business Performance: The ACCA/ESRC Round Tables 2011/12*, ESRC, 2012. <http://www.esrc.ac.uk/acca/images/ACCA_ESRC_round_tables_tcm16-18505.pdf>, accessed 7 March 2012.

2. *Maximising People Power: Effective Talent Management in Finance*, ACCA, 2011. <http://www2.accaglobal.com/pubs/general/activities/library/human/maximising_people_power.pdf>, accessed 7 March 2012.

For example, the changing role of the CFO is requiring companies to think carefully about how they develop senior finance executives, to ensure that they have the necessary skills beyond the purely technical. 'When we look for finance leaders, we try to play down their functional strengths once they reach a certain level and get them more rounded in term of business experience,' says Datin Badrunnisa Mohd Yasin Khan, group chief talent officer at Axiata, one of Asia's largest telecommunications companies. 'Of course, we're looking for people who have grown up with the finance discipline but that alone is not enough. We really want someone with a more developed business sense.'

For the finance function more generally, companies need to encourage and challenge their finance workforce to expand their perspectives and to foster diverse thinking. This should include opportunities for finance professionals to take on new work experiences or be rotated through a series of positions, by moving them out of finance into commercial, procurement or marketing roles. This has become even more critical with the advent of Generation Y. As a recent ACCA report showed,³ this younger cohort of finance professionals will typically expect career paths that are aspirational, fluid and that evolve quickly. More than half of the respondents to that survey wished to follow a career path outside traditional finance roles and beyond the finance function, at some point.

The aspirations of broader career development are not without their challenges. Too often in the past, businesses will channel finance professionals into a function where they have demonstrated particular strength or expertise, such as tax or treasury. The temptation is then to leave these executives in a role in which they excel, but as Datin Kahn at Axiata explains, companies need to resist this. 'If you leave someone in a function for too long, it won't help with innovation because they end up being too focused on following the rules,' she says. 'Finance executives have to go through job rotations within finance in order to learn the business and be creative. If you box them into a single function, then they won't become rounded as individuals'. The challenges may often be with the individuals themselves, as Datin Kahn goes on to explain, 'It's not always easy to rotate people because a finance person usually doesn't want to move out of finance....We tend to

put them in functions where there's still a big finance element to it but where they can see things end to end – for example, where there's a big contract to sort out in managed services, outsourcing or a technology project. Activities involving large investments help executives to develop commercial skills that lie outside finance and that they wouldn't otherwise learn.'

Jobs swaps and secondments are one way to achieve greater diversity in career paths, but they are not the only way. Many companies are starting to look beyond their boundaries to see how executives can gain broader experience in entirely different environments. One approach that is becoming increasingly common is corporate volunteering. By developing strategic partnerships with non-profits, companies can provide their executives with the opportunity to acquire knowledge and experience of working in environments that are culturally very different from those to which they are accustomed.

BUSINESSES NEED TO DRIVE TRANSPARENCY IN CAREER PATHS ACROSS FINANCE AND BEYOND.

As a consequence of the evolving role of the finance function, the reality is that finance career paths are evolving too; they are less linear and less certain, and increasingly commentators refer to the career lattice in finance rather than the career ladder. In responding to the need for breadth of experience in their finance people, businesses need to become increasingly clear about the career opportunities that prevail across the finance function and how individuals can navigate their career route. By being very transparent about career pathways and linking in the appropriate learning and development interventions that can support people moving roles, good finance functions are able to drive diversity of career opportunities and ensure appropriate succession planning for key roles. These processes should be supported by in depth career conversation between the employee and their manager, with employees having access to mentors and coaches to aid them with their development

3. *Generation Y: Realising the Potential*, ACCA, 2010 <http://www2.accaglobal.com/pubs/accountants_business/research_opinion/people/generation_y_report.pdf>, accessed 7 March 2012.

BUSINESSES NEED TO PROVIDE FINANCE LEADERS AND THE TALENT PIPELINE WITH GLOBAL EXPERIENCE

Cultural, economic and technical differences between geographic markets emphasise the importance for finance teams to comprise individuals who have gained experience in a range of different jurisdictions. By gaining a thorough understanding of how the business model and operating environment differ between economies, finance teams will be better-placed to recognize the interdependencies between markets and foresee how a decision taken at headquarters might impact the company's operations around the world.

As companies diversify their geographical footprint into markets at very different stages of development, this breadth of understanding becomes more critical than ever. Finance leaders who have direct experience of both developed and emerging economies will be in high demand. 'Experience in an emerging market helps people develop skills that they might not get in a much more mature market,' says Datin Kahn. This need for diverse geographical experience highlights the importance of putting in place global talent management programmes that facilitate the movement of high-potential executives around the world. Deloitte, for example, is setting up a series of career development boards, which are cross-functional groups of people given the task of assessing the talent moving through the business, looking for job and role-swapping opportunities and helping individuals to make those moves.

Although rotation between different geographies has obvious benefits, it can encounter resistance. Finance professionals may consider a posting to a distant market as tantamount to being sidelined. Companies should therefore be careful to reassure their high-potential executives that time spent in an emerging economy will be valuable to their career, as well as being a staging post to another role. Equally, managers may be reluctant to lose a valuable team member, even for a short period of time, particularly when there is pressure on companies to minimise staffing costs. 'It's never easy because if you have a great person in the team you don't necessarily want them going off to do something else,' says Stevan Rolls. 'But, in the long term, they'll come back with different skills and a wider view on their role. Ultimately, you get a lot more out of them by letting them go.'

BUSINESSES MUST ENSURE FINANCE LEADERS EMBRACE OPEN WAYS OF WORKING.

Finance leaders must be willing to listen to different views and allow themselves to be challenged, but also have the leadership skills to choose which course of action they should take. 'When people with diverse backgrounds, experiences, ways of interpreting things and tools come together, it may take longer to get to a solution, but you will inevitably get to a better outcome,' says Kathryn Komsa, chief diversity officer at Marsh & McLennan Companies.

The shift from a consensus-driven management style to one that embraces differences has become more critical as the finance function evolves. In the past, finance was a largely technical role whose outputs in some senses could be more objectively measured and assessed. But, as finance professionals have become more involved in business partnering and strategic decision-making, their role has become much more collaborative and the success of finance has become more predicated on its ability to build sound relationships across the business.

These developments have necessitated a demand for finance leaders who are willing to be challenged both internally from their own finance function, and from other areas of the business, and this is having a significant impact on the finance leaders in demand and the development curve they progress through. Professor Kakabadse sees these needs reflected in the types of business courses increasingly being taken by finance leaders. 'It's amazing to see how many people at Cranfield are now coming on to the emotional sensitivity-type programmes to help them cope with their job as a senior manager of finance'. As Vanessa Wittman, CFO at Marsh & McLennan companies confirms, 'Any CFO searching for views that only echo their own shouldn't be a CFO.' She goes on to say, 'The understanding that debate leads to better answers aligns with the ultimate finance goal of challenging the business.'

There is compelling evidence that an open culture in finance resonates with the newest generation in finance too. ACCA's report in 2010 on Generation Y (those born between 1980 and 1993) identified the quality of relationships with managers and team morale in the top five influences on their willingness to stay with a particular organisation. If businesses and finance functions are serious about keeping hold of their top talent, developing the right ethos and openness across the finance function is very important.

BUSINESSES SHOULD LOOK AT FINANCE TRANSFORMATION PROGRAMMES TO DRIVE THE APPROPRIATE BALANCE OF DIVERSITY

As companies expand their geographical footprint, they must manage their finance functions in a way that allows them to tap into new markets while still harmonising processes and retaining tight control of standards. As a result, the traditional model – with a finance function located in the home market from which it manages accounting and finance globally – no longer prevails. Instead, many companies are consolidating their finance teams into regional hubs or outsourcing some finance and accounting processes. For some, the model has been to decentralise finance operations and move to a regional structure. GE and Walmart, for example, have an Asian headquarters in Hong Kong with a finance function that has been established to serve that region. ‘The rationale for this approach is that you have to understand what’s happening in the local area,’ says Peter McLean of Korn-Ferry in New York.

As globalisation generates a rapid rise in the amount of financial information companies need to manage, there is an urgent need for simplification, allowing otherwise unmanageable volumes of data to be processed and analysed by decision-makers across the company. As ACCA explored in a recent report,⁴ a growing number of companies are shrinking in-country finance teams and migrating their commoditised activities to shared service centres. This increases productivity, and enables cost savings through the implementation of standardised processes for handling routine transactions. At the same time, companies must comply with local financial and governance regulations in each jurisdiction where they operate. This is encouraging a shift towards a process-driven approach that provides assurance of compliance and increases levels of accountability. ‘More than any other function, the finance function demands sticking to the rules and doing the same thing in a very standardised business model,’ says Peter Reilly from the UK Institute for Employment Studies.

In theory, the adoption of a shared service approach frees up finance professionals to spend more time on value-adding activities, such as business partnering. But the development needs to be balanced with ensuring appropriate levels of local experience continues to exist, particularly where companies deepen their use of shared services beyond commoditised processes into those areas where business decisions are being made. When companies had a finance function with finance employees located across many different countries, there was inherent diversity because the team comprised individuals from a wide range of cultures, backgrounds and practices. Skills and capabilities were also highly diversified because in-country teams possessed very specific knowledge about local regulations and requirements. So in implementing shared service models to gain processing efficiencies, businesses need to be mindful that they retain the necessary diversity at a local level to ensure success.

Stevan Rolls of Deloitte argues that standardisation and diversity are not incompatible. He suggests that it is important to distinguish between those activities that need to be standardised and those in which diversity can be beneficial. ‘Some activities in the finance function need to be robust and repeatable and so are good candidates for standardisation regardless of where you are,’ he says. ‘Other activities require local treatment or are more complex and so require on-the-ground expertise. Finance is a function in which there are places where you want innovation and places where you don’t want innovation. The key is deciding which is which.’

4. *Finance Transformation: Expert Insights on Shared Services and Outsourcing*, ACCA, 2012. <<http://www2.accaglobal.com/pubs/general/activities/library/human/pol-afb-ftei.pdf>>, accessed 7 March 2012.

3. Conclusion

Ethical and moral considerations require companies and finance functions to demonstrate that they are giving everyone in their organisation an equal opportunity, regardless of background, ethnicity or gender considerations. But real diversity goes beyond this basic requirement. To succeed in a complex and dynamic business environment, and for finance functions to be truly successful, they need to build a diversity of skills, experience and perspectives too.

As businesses and finance functions becomes more global, finance teams comprising individuals with a wide range of experiences are better placed to support the business. They give the organisation a much broader insight across markets, and help minimise the risk that uniform perspectives and entrenched views will hamper innovation. Diversity of thinking and skills allows companies to get more out of their workforce.

The role of the finance function is changing. Businesses continue to operate in a highly competitive and uncertain global economic environment. There is greater focus and challenge on the role of finance and what it is bringing to the corporate table. Finance leaders face multiple demands internally and externally from an increasingly broad range of stakeholders. The finance function is no longer just responsible for efficient operations and custodial responsibilities; increasingly its remit and focus is also on supporting the business strategically as a valued business partner. So the question is whether or not the finance function has the capabilities needed to respond to these challenges and responsibilities. Diversity in its broadest sense matters because a sub-optimal finance function from a diversity perspective is a sub-optimal finance function from a capability perspective.

Companies can build diversity in their finance teams through a number of approaches. By recruiting from a broader pool of talent, and evolving their recruitment strategies, companies can start to create a more varied finance workforce pipeline. Breadth of experience in the most senior roles and throughout the finance function is a critical component of the diverse finance function in developing the range of skills required but it must be supported by greater visibility and transparency of the career paths available to finance professionals in the organisation. Similarly, providing finance leaders and the talent pipeline with global experience in emerging and mature markets helps the finance function develop the necessary insight and understanding required by global businesses operating in global markets. Ways of working matter too – without an open culture across the finance function it is difficult for new, unconventional ideas to flourish - the finance function must continue to innovate and question why things need to be done in a certain way. Finance leaders need to encourage diversity of thinking and be willing to have entrenched viewpoints challenged. Diversity can only benefit the finance function if the workforce is empowered to express its diversity. Otherwise, companies may end up with teams who look different from each other, but think the same.

Appendix: Perspectives on gender diversity and business performance

Among the world's largest companies, women remain a minority in the most senior roles in the finance function. Yet, if the results of a study conducted by the Lally School of Management⁵ are anything to go by, these companies may be making a big mistake – one that affects their ability to secure cheaper loans at more favourable rates.

The study found that, when women were in the top finance position, companies secured bank loan prices that were, on average, 11% lower than in companies controlled by male CFOs. The researchers also found that loans to companies with female CFOs at the helm had longer maturities and were less often required to provide collateral than loans given to companies with a male CFO. The study concluded that banks tend to see female CFOs as providing more reliable accounting information and lower default risk.

Of course, as the researchers point out, the results may reflect the fact that companies with better terms of credit are more likely to hire women as CFOs. Nevertheless, the study is an indication of a growing desire to uncover the benefits for companies of having more women in the finance function.

For now, few reach the senior levels of this function. Among Fortune 500 companies, the proportion of female CFOs remains low at 9%, with 45 in the list (up from 44 in 2009 and 2010), according to CFO Magazine. Yet women in the US make up 56% of undergraduate accounting students and almost 62% of accountants and auditors.

Despite this low representation, the outlook for women in finance is more positive than it first appears. While overall numbers of women CFOs remain small, the chief finance position appears to be the most common one through which women can secure a place at boardroom tables. 'The CFO position lends itself very well to creating diversity around the board table,' says Ben Jones, a London-based senior client partner in Korn/Ferry's financial services team. 'Boards are more willing to create a slot and an opportunity for women in the CFO position.'

Several prominent recent appointments illustrate the increased frequency with which women are taking on senior finance positions. These include: Nestlé's Ms Martello; British-born Liz Doherty, who left Brambles to join Reckitt Benckiser, the consumer products group; Deirdre Mahlan, who was promoted to the CFO role at Diageo last year; and Kimberly Ross, the former Ahold CFO who joined Avon in May 2011 as executive vice-president and CFO.

Research by Ruth Sealy, deputy director of the International Centre for Women Leaders at Cranfield School of Management, confirms this trend. She has found that 68% of female directors in FTSE 100 companies are CFOs. One reason for this could be that finance roles are more predictable in terms of their hours and busy periods, making the job an easier one to balance with family commitments. Another factor, suggests professor Sealy, is that effectiveness in the role is more easily measurable than in other C-suite positions. 'With finance, you're either good at it or not and that's very easy to see,' she adds. 'So it may be that you don't come across all the subjective, judgemental biases that you find elsewhere.'

The rise of women in India's banking industry provides another indication of their strong performance in senior finance roles. According to a 2010 study conducted for Standard Chartered Bank by Professor Sealy, India has more female bank leaders than any other country.⁶ The study shows that nine out of the 11 banks on the BSE-100 have women on their boards, while two of them – ICICI Bank and Axis Bank – have female chief executives.

For Professor Sealy, the Indian example suggests that Western countries may have something to learn from emerging markets. 'Rather than imposing the way our organisations work on emerging markets, we should derive some lessons from them,' she says. 'Because as recent experience has shown, we can't claim to have got it right.'

5. Qiang Wu, Bill Francis and Iftexhar Hasan, 'The Impact of CFO Gender on Bank Loan Contracting', *Journal of Accounting, Auditing and Finance*, (19 April 2011). <<http://ssrn.com/abstract=1815433>>, accessed 7 March 2012.

6. Ruth Sealy and Susan Vinnicombe, *Standard Chartered Bank: Women on Corporate Boards in India 2010*, Community Business Limited and Cranfield School of Management, 2010. <http://www.communitybusiness.org/images/cb/publications/2010/WOB_India.pdf>, accessed 7 March 2012.

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