



I think commercial skills are as important if not more important than technical accounting skills. It is imperative that all of my staff at all levels are able to communicate with the businesses they support and a certain level of technical level and understanding depending on where they are in their qualifications is implied and explicitly required as part of the job.”

Mark Haberfield, Managing Director, Stagecoach Services Ltd

The commercial challenge. Building accountants' skills.

Accounting & Finance workplace study 2010

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Foreword

The rate of change in the accounting profession continues to gather pace.

For the third year running, our workplace study shows accountants having to up their game considerably; a need which has been accelerated by the recent recession. The role of 'business partner' has become more clearly defined and with it the need to display advanced communication and commercial skills. Such is the pressure on accountants today, that over half of the employers we surveyed said they would consider appointing non-qualified accountants to roles requiring greater interaction with the business.

The UK is leading the field in this regard. In continental Europe, while the need for better commercial and interpersonal skills is well recognised, many employers have yet to take the plunge in creating a distinctive business partner role.

Whatever the circumstances in individual organisations or countries, what's clear is that the skills required to be an outstanding accounting professional in 2010 and beyond are very different to those when many of today's finance directors set out on their careers.

Newly qualified accountants who aspire to climb today's career ladder need to focus on building not just their all-important technical skills but need to be prepared to display high levels of commercial acumen and well-honed interpersonal skills. The ability to paint a financial picture for the uninitiated is as important as the ability to deconstruct a set of accounts.

Lynne Hardman
Executive Director, Accounting & Finance

At a glance

- UK finance directors are implementing a business partner approach in an effort to better manage their key areas of focus and show their team's value to the business.
- Strong commercial awareness and interpersonal skills are the skills lacking in many finance functions across both continental Europe and the UK.
- A number of UK employers would consider using non-qualified accountants for aspects of the business partner role in an effort to plug the skills gap.
- Employees want more on-desk training and mentoring to help them deliver these 'softer skills'. Employers appear to rely too heavily on external and CPD courses so need to find a better balance.
- When it comes to retention, employers in continental Europe are more concerned about retaining their top talent than those in the UK.
- It's good news for the accounting and finance profession as respondents anticipate a growth in new accounting and finance roles in 2010.

Key challenges effecting the profession

The key challenges that are affecting the profession have not changed significantly since our 2009 research.

- Managing potential regulatory or funding changes from a potential new government.
- The recession has done little to raise the public's confidence in the accounting and finance profession, which has been lost due to high profile scandals and the complexity of accounts.
- Creating opportunities for accountants despite the continued growth in shared services, consolidations and off shoring.
- Maintaining cash flow, cost control and funding levels.
- Keeping pace with international accounting standards.
- Attracting and retaining high quality accountants.
- Improving the communication and interpersonal skills of accountants in explaining the numbers to non-finance employees.
- Coping with the increased pressure to add value and be commercially aware.

The finance function

The finance function is under increasing pressure to prove its commercial worth. The response by many Finance directors has been to implement 'client-facing' or 'business partner' roles.

According to our research, almost two thirds of UK employers (61%) make a clear distinction between business partner and technical roles. And with over 35% of UK employers making this a formal agreement and a further 35% embedding the role in the wider business, it looks like a trend set to continue.

Half of employers define the role of the business partner as working with leaders on developing strategy. So it's no surprise that greater emphasis has been put on the need for strong commercial acumen and communication skills. However UK accountants could be under threat as our

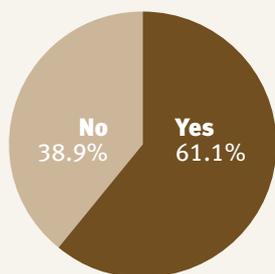
results show that 55% of employers would consider using non-qualified accountants for aspects of the business-facing role as finance directors plug the skills gap in their qualified accountants. This trend is particularly pertinent in larger organisations. Of those employers who are using non-qualified accountants, two thirds are organisations with more than 501 employees. This may well reflect the complexity of larger organisations with multiple layers of decision-making managers, many of whom would benefit from commercially-driven accounting advice.

Although our findings show that continental Europe has yet to embrace the business partner model to the extent of the UK, employers and employees alike do recognise the need for strong commercial and interpersonal skills.

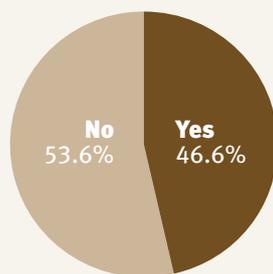
55% of UK employers would consider using non-qualified accountants for aspects of the business partner/business-facing role.

Employers – Distinction between technical and internal client facing functions

 UK



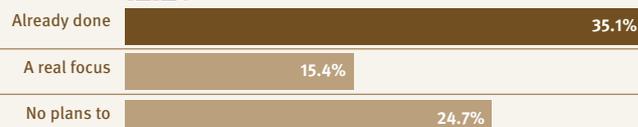
 Continental Europe



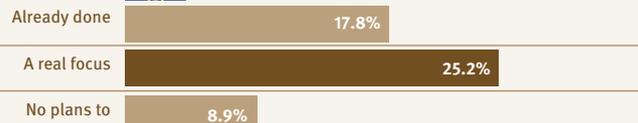
Employers were asked: Do you make a distinction between the "technical" accounting function and the client-facing function in your department? Respondents were invited to select one that applied. All figures are rounded to one decimal place.

Employers – Do you provide an integrated business-focused service?

 UK



 Continental Europe



Employers were asked: In order to provide a more integrated, business-focused service, many finance departments are focusing on embedding team members in the wider business – sometimes called "business partnering". To what extent has this been a focus for you? Respondents were invited to select one that applied. All figures are rounded to one decimal place.

Implementing the business partner role

The implementation of the business partner approach has undoubtedly been fuelled by the challenges brought about by the recent recession. The main focus of almost 50% of respondents has been around stepping up controls around expenditure; a battle most likely to be won by accountants working alongside the business, assessing processes and procedures and educating on the importance of cost control. In fact over three quarters (76%) of those who have embedded accountants in the business or made it a real focus are organisations with more than 501 employees - a sure sign that the larger the company the more complex the task to control expenditure.

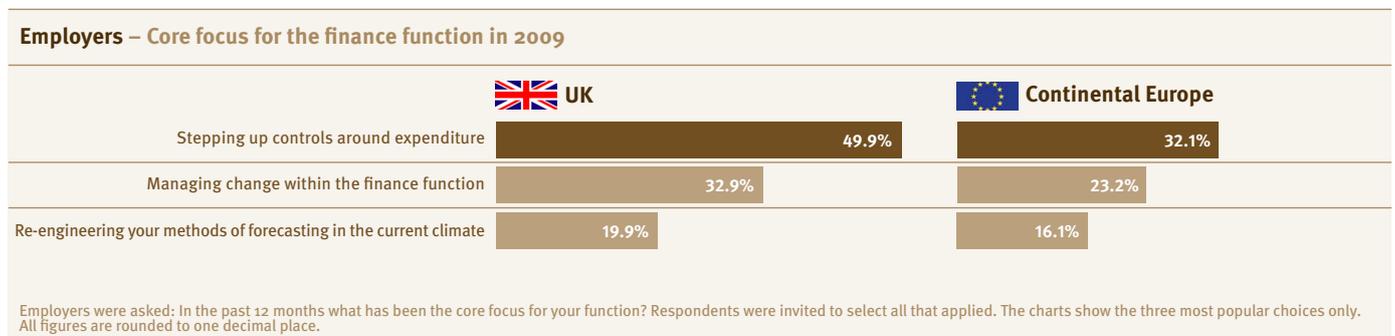
The second main area of focus for UK employers has been around managing change within the finance function. For many this will have been precipitated by a greater focus on cost controls, engaging the business and a more strategic approach to financial management.

Despite the greater pressure from organisations on finance teams to add value and provide commercial guidance in plain

English*, embedding the business partner role in the business hasn't been plain sailing. Almost a fifth (17%) of UK employers have suffered from a 'them and us' culture; 16% have had difficulty in managing remotely; and, over 12% have had push back from the business. Recognising that they shouldn't do it alone, almost half of the finance directors which have taken their function out to the business have taken advice from other functions, such as IT and HR, which have already embedded their staff in the wider business.

Half of employers in the UK and continental Europe believe the finance function is an integral part of the decision making process. However, with almost a fifth of employers facing a 'them and us' culture when embedding business partners into the business, finance directors shouldn't be complacent. They need to continue to demonstrate the value that the function delivers and validate the need for business partners to have strong commercial and communication skills. Is there more work to be done around up-skilling non-accountants in basic accounting skills?

50% of employers in the UK and continental Europe believe the finance function is an integral part of the decision making process.



*Findings from 'Balancing Act: Is the accounting and finance function ready to step up?', Badenoch & Clark 2009

Skills

Over 45% of employers expect their business partners to be out and about in the business working with leaders on developing strategy. It's no wonder then that our research shows that communication and commercial skills are the top demands of finance directors across the UK and continental Europe.

However, what is concerning is that the skills identified as being necessary to take the function forward are exactly the skills that employers tell us they are currently lacking. These findings might go some way to explain why some finance directors who are struggling to find the right skills base and talent, are bringing in non-finance professionals. According to our research almost a quarter (23%) of UK employers are recruiting communication, design and visualisation experts.

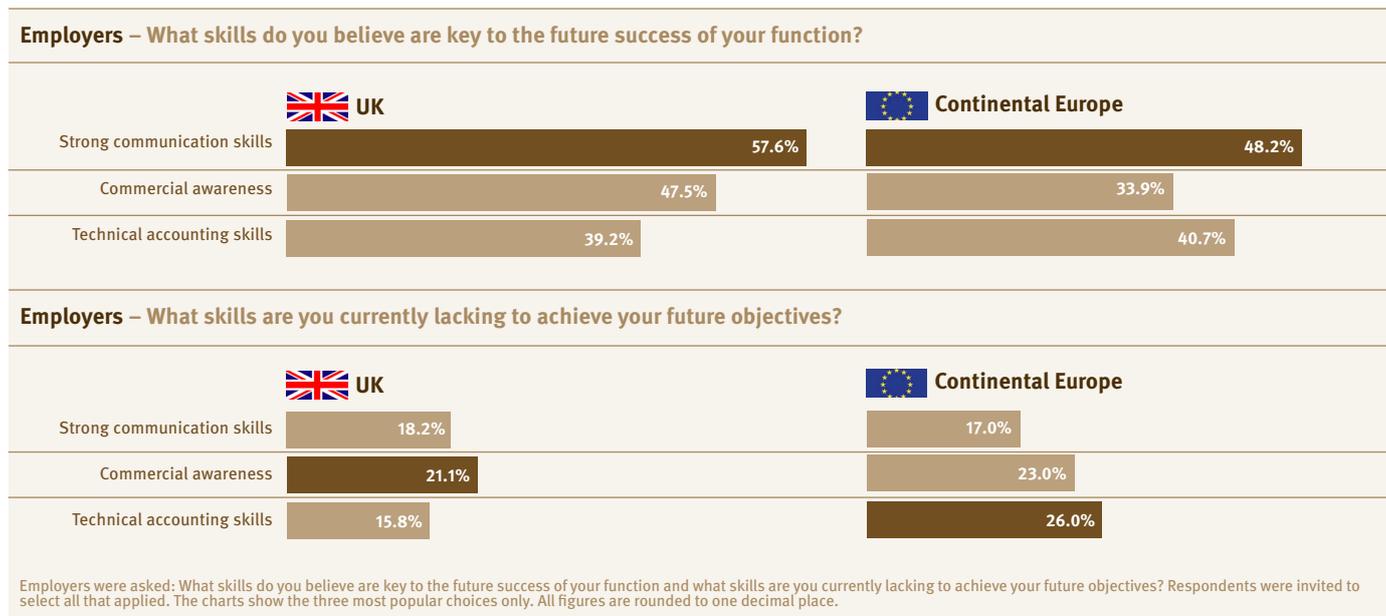
What is particularly interesting is that the NHS is the sector which is lacking commercial acumen the most amongst its accounting and finance staff. Is this

inevitable given few organisations in the sector recruit employees without previous NHS experience?

When questioned about what key skills accountants require, employees take it as a given that a strong technical platform is needed to perform their role. What is encouraging to see is that they recognise the need to improve their commercial awareness and communication skills – a far cry from the results of our 2009 research which highlighted a worrying disconnect between employers and employees.

For those accountants looking for their next career move in continental Europe, those with English language skills and international work experience are in high demand. Almost half (45%) of employers across The Netherlands, Germany and Luxembourg tell us these come high up on the agenda when recruiting. Are UK accountants exploring the opportunity to use their language skills abroad?

It's unlikely to come as a surprise that recruitment freezes has been identified as the biggest reason why employers currently lack the skills they need. Two thirds of employers, across the UK and continental Europe tell us a lack of resource has held them back from doing certain things. Can finance directors afford to continue to put high levels of pressure on their current resource? Are finance directors at risk of losing employees who are disgruntled about their workloads? Is there a place for bringing in temporary or contract resource rather than put the function at risk?



The role of the business partner

We asked employers to define the role of a business partner. We've already reported that over 45% of employers in the UK told us that the key aspect of the role of the business partner is to work with business leaders on developing strategy.

Other key aspects of the role include interpreting and presenting financial data for business leaders and providing trend analysis, assisting with forecasting and providing a problem solving service.

In effect, the role of the business partner is no great step forward from the role of the traditional accountant. The big difference relates to the softer skills and commercial awareness which accountants need to hold – and that's where non-qualified accountants can help fill that gap. However if finance directors are employing non-qualified accountants to conduct aspects of the business partner role, they need to verify that their technical advice is valid or provide mechanisms to enhance this.

Definition of the business partner role:

- Work with business leaders on developing strategy
- Interpret financial data for business leaders
- Present financial data to business leaders
- Provide analysis services
- Provide trends analysis
- Assist with forecasting
- Provide a problem solving service

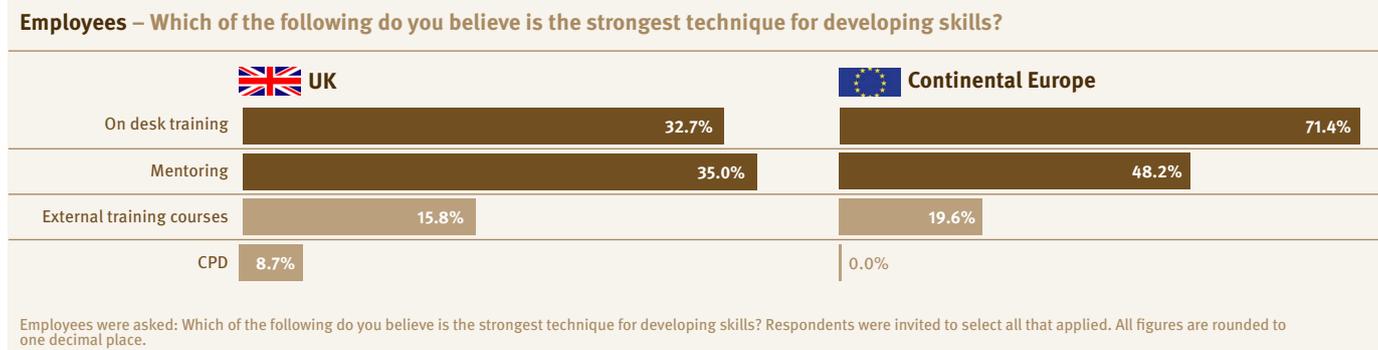
Learning & development

Our survey shows that employers need to consider refocusing their approach to how they upskill their accountants. Currently employers are using a variety of ways to train their staff, including mentoring, on-desk training, external training and CPD courses. However over a third of employees in the UK and continental Europe tell us that on-desk training and mentoring are the most effective ways to help them develop

the skills they need; with CPD and external training courses deemed the least effective.

Is there a better balance to be had? Are those employers who are investing in external training courses wasting their money? Have the accounting professional bodies got a bigger role to play in providing accountants with the skills they need?

68% of employees in the UK tell us that on-desk training and mentoring are the most effective ways to help them develop the skills they need.



Future of recruitment

Finance directors remain cautious about recruiting. However our research shows that opportunities are definitely on the up. In the UK alone, 40% of employers are planning to recruit new accounting and finance roles in 2010. This is in line with employee expectations as 46% anticipate an increase.

Overall employers in continental Europe are less optimistic about creating new roles in 2010, with 29% of employers telling us they expect to recruit in 2010.

The recruitment of additional skills being brought into the finance function is an option for some as 23% of UK employers would look to bring in communication, visualisation and design experts. Those employers who are recruiting business partners expect them to possess these additional skills already. However the results for continental Europe tell a different story. Almost three quarters (72%) of

employers in the Netherlands and 50% of employers in Germany would look to bring in additional skills into the finance function. Could this be their approach to improving communication with the business without implementing the business partner model? However, in contrast 88% of employers in Luxembourg do not believe these additional skills are necessary.

Those finance directors looking for additional or business partner skills will need to think carefully about how they assess the 'softer skills' at interview. Traditional interview techniques often focus on technical skills and sector experience, which are not as effective at assessing the in-demand new skills.

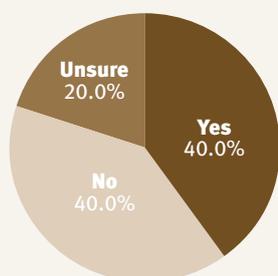
Almost half of employers across the UK recruit employees as and when they need them, which brings into question whether adequate succession planning is in place.

46% of employees anticipate a growth in new accounting and finance roles in 2010.

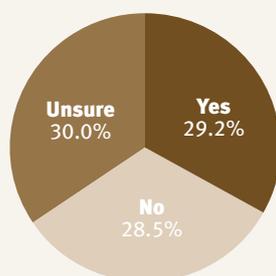
Business partner roles and analyst roles are expected to be in demand throughout 2010.

Employers – Do you expect to recruit new accounting and finance roles in 2010?

 UK



 Continental Europe



Employers were asked: Do you expect to recruit new accounting and finance roles in 2010? Respondents were invited to select one that applied. All figures are rounded to one decimal place.

According to our research accountants expect to see the following roles in high demand in 2010:

 UK

- Business partners
- Commercial analysts
- Management accountants
- Project roles
- Compliance related roles
- Credit control

 Continental Europe

- Commercial analysts
- Management accountants
- Project roles
- Compliance related roles

Engaging and retaining staff

It's to be expected that retention in a downturn is not a burning issue for the majority of employers; a fact substantiated in our findings. Almost half of UK employers (45%) are not at all concerned about retaining their top talent. In contrast however almost two thirds (60%) of employers in continental Europe are very concerned about retention.

Is this attitude of UK employers short sighted? An inevitable consequence of an upturn is employee churn, particularly those who have felt unsupported or poorly treated in the downturn. In fact 40% of employees have said they would ideally like to change jobs within the next year; with a quarter of all employees already actively looking for new jobs. (Source: Happiness at Work Index.)

This means employers need to begin work to build stronger employee engagement

through better communication, explaining decisions that are being taken and giving people the opportunity to ask questions. Our research highlights the importance of face-to-face time with employees during challenging times. Almost two thirds (65%) of UK employers and 60% of UK employees recognise how crucial regular communication through meetings is in maintaining morale.

Offering flexible working in continental Europe in particular has been identified as a way to help maintain morale. As generation Y becomes more prevalent in the workforce, and technology makes traditional office-based role less relevant, flexible working practices will continue to grow in 2010. (Source World at Work report 2009.) Employers should consider reviewing their flexible working practices if they are to better control attrition rates.

45% of UK employers are not at all concerned about retaining their people in 2010.

60% of employers in continental Europe are very concerned about losing their top talent.

Download our World of Work 2009 End of Year Report at www.badenochandclark.com/news/world-of-work-report



Visit the latest Happiness at Work index findings at: www.happinessatworkindex.co.uk



Salaries and bonuses

Despite recent reports that organisations have no plans to give pay rises in 2010, our research suggests that almost half of all employers who took part, across the UK and continental Europe, are expecting to give pay rises to their staff.

Employers anticipate that any increase given will be between 0.5% and 3%. This is for the most part in line with employee expectations. Although it's worth noting that the majority of Dutch employees expect to receive a salary increase between 3.5% and 6%.

Of those UK employers lacking communication and commercial skills in their accounting and finance staff, 41% and 32% respectively have no plans to give pay rises. Does this mean that finance directors are prepared to recognise and reward communication and commercial skills above traditional accountancy skills?

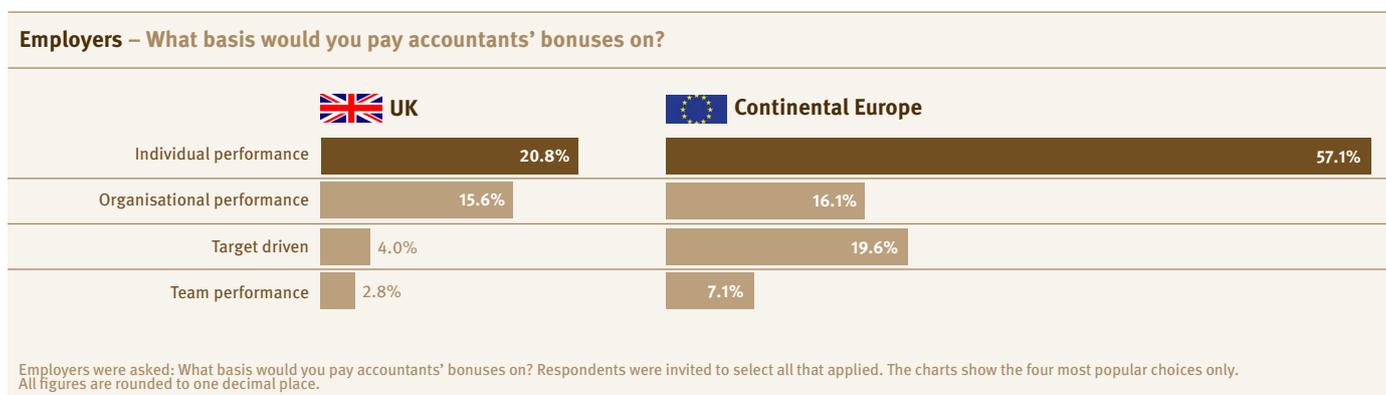
In continental Europe reward appears to be very much based on personal performance in comparison to the UK where employers take a broad brushed approach taking personal, team and company performance into account.

Over half of the organisations which took part in our research pay their accountants a bonus. Similar to the way that salary increases are calculated, continental Europe employers base any bonus payment more on individual performance than the UK. Our research also shows that the average bonus is 12% lower in the UK than in Europe.

For full details on salary and pay rates across the accounting and finance profession download our 2010 report at www.badenochandclark.com/for-employers/salary-guide/accountancy

Employers anticipate that any pay increase given in 2010 will only be between 0.5% –3%.

Bonuses in continental Europe are very much based on personal performance in comparison to the UK where employers take a broad brushed approach.



Details and methodology

The research in this report is based on responses received from over 1500 accounting and finance professionals, gathered through telephone and face to face interviews by Badenoch & Clark consultants across the UK, Germany, Luxembourg and The Netherlands. The report also draws upon the extensive market knowledge held by our industry experts.

Our research took place in January 2010 and included accounting and finance professionals at all levels of qualification, from newly qualified and QBE to finance directors and CEOs across commercial, public and practice sectors. Additionally we surveyed HR professionals and recruiting managers.

About Badenoch & Clark

Whether you're looking for a fresh career challenge or you're an employer looking to recruit talented professionals, you'll appreciate working with a recruitment consultancy that really understands your needs.

At Badenoch & Clark we focus on connecting the right organisations with the right people – whether for permanent, interim, contract or temporary accounting and finance positions. We understand that it's much more than filling vacancies. It's about making the right connections between skills, cultures and roles.

Our clients tell us that we're particularly good at getting under the skin of their

organisations, understanding their precise needs and getting a good feel for their culture. And our focus on building industry knowledge means we can advise on broader recruitment trends in your industry.

Our UK-wide presence means we have the strength and depth to deliver a truly tailored service. It's not a one-size-fits-all approach. We tailor our advice to your particular needs. We listen.

Which means that when it comes to building your team or finding your next career move, there can be only one choice of accounting and finance recruitment partner.

Contact us

For more information on our workplace study please contact **Honor Simmonds** on 020 7429 5286 or at honor.simmonds@badenochandclark.com

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