



B I E

FINANCE SUCCESSION  
PLANNING AND  
TRANSFORMATION  
SURVEY 2018  
DO CFOS TAKE SUCCESSION  
PLANNING SERIOUSLY?



# FINANCE SUCCESSION PLANNING AND TRANSFORMATION SURVEY 2018

Finance professionals today need to be focused on more than just the numbers. They need to be able to play a central role in enabling the business to operate effectively, especially when going through transformation.

Having recently met and listened to a number of Talent Acquisition and HR Directors debating the high cost of hiring and retaining finance talent, we decided to investigate how organisations are dealing with succession planning in more detail within their finance function.

Our 2018 finance succession planning and transformation survey explored:

- What is the current state of organisations' succession planning and development framework?
- Is succession planning being hindered by the development of specialisms?
- Where is the next CFO coming from?
- What is the average length of a finance transformation programme?
- How much is being spent on finance transformation and what is the expected return?
- Which talent areas will be invested in, and what are the top team priorities for 2018?

We discovered that succession planning is not taken seriously within an organisation's finance function. Potentially hindered by the development of specialisms within the function, appropriate frameworks are not being set up and the communication between the CFO and HR Director needs to be improved.

However, many CFOs believed the function needed to find a better balance between breadth and expertise across all financial disciplines to allow senior executives to step up into the number 1 role.

## SURVEY OVERVIEW

Of the 111 CFOs who responded, 75% had been in their current role for less than three years, and 81% had been recruited into their current role by an external organisation.

## SUCCESSION PLANNING

### 1. Can CFOs consciously say they take succession planning seriously?

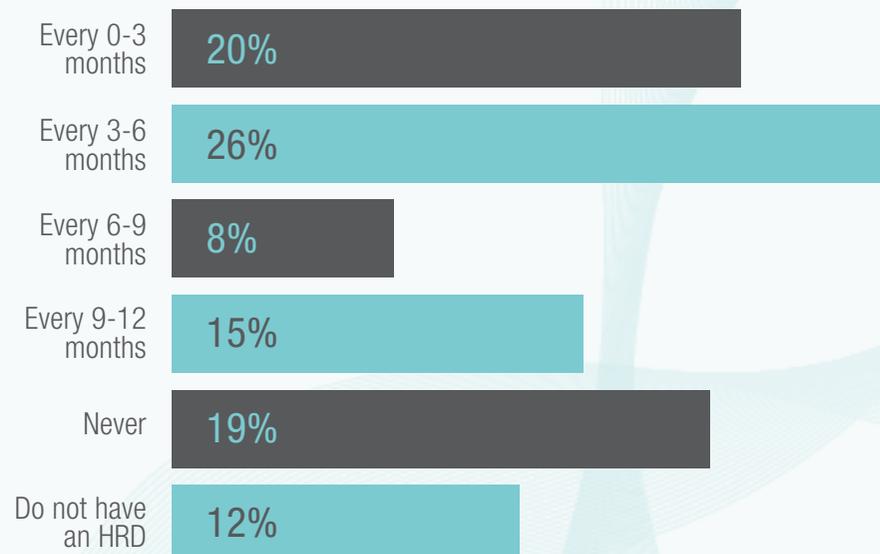
The survey findings revealed that only 46% of the respondents met with their HR Director at least once every six months to discuss leadership development and succession planning. 23% met with them at least once every 6-12 months and 19% have never done so.

When asked how respondents would rate their organisation's framework of support for development and succession planning, they rated it on average a less than complimentary 46%. This result, combined with the number of respondents being recruited externally, suggests that many organisations are not engaging in appropriate succession planning or self-development.

Such a large turnover of executive level talent within three years or less highlights the huge cost organisations must be spending on attracting top finance talent, therefore more emphasis must be placed on the development of individuals personally and the finance team as a whole.



How often do you meet with the HRD to discuss leadership development and succession planning?



## 2. Whose responsibility is succession planning?

A significant proportion (66%) still believe their successor will come from external sources, which leads us to the question, do CFO's take succession planning seriously?

If two-thirds of respondents think the most experienced talent is not coming through internally, can they honestly be bothered to create a successful framework?

Who should be forcing the issue of succession planning and development? Is it the role and responsibility of the CFO to provide their team with the opportunities to plan their career and develop their skills? Or is it the role of the HR Director to work with their CFO on succession planning and ensure their team moves around the function?

From an employee perspective, how do you map out a well-planned career if you are a successful financial controller but need to develop your commercial skills? Who forces you to do so if you can't do it internally? Do you have access to a mentor or coach? Should you engage with HR?

In our experience, we feel it is down to the CFO to engage more proactively with their HR Director to create a more successful framework. CFOs need to be aware of its importance and instead of just looking after themselves and having their team in place, they need to be driving succession planning on the basis that it will improve the culture within the function.

“

43% OF RESPONDENTS FELT THAT THE DEVELOPMENT OF SPECIALISMS WITHIN FINANCE WAS HINDERING CFO SUCCESSION PLANNING.

”

## 3. Is CFO succession planning hindered?

43% of respondents felt that the development of specialisms within finance was hindering CFO succession planning.

This result highlights the challenge for the future leaders of finance. In today's heavily siloed business environment they need to find a balance between specialising in a financial discipline, and getting broad exposure across all aspects of the function to develop more rounded expertise and progress their career to the top.

However, if CFOs feel the organisation's framework for talent development is poor, it then becomes easier to just hire someone else who already has the experience needed, instead of creating a framework within the organisation to allow someone from the senior team to step up into the role.

Which route do you take to make sure you are well rounded? Should CFOs get a real understanding of the transactional side? Or do they focus on FP&A and decision support? Are shared services still part of finance or is it a service to finance in today's working environment?

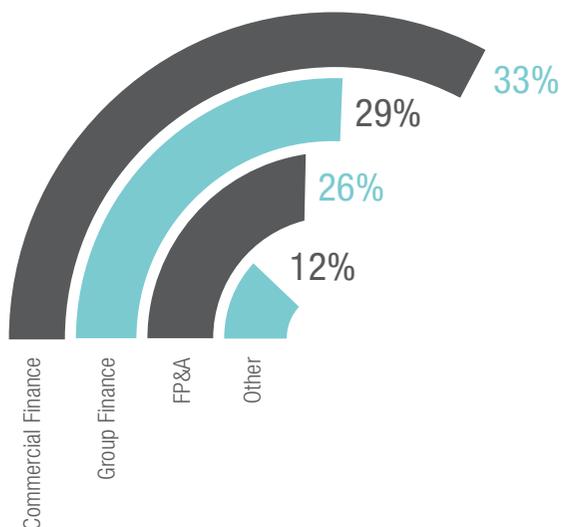
It's an inconvenience for anyone to move and start again every three to four years, but it's the long-term effect of this trend that is more worrying. Eventually, talent will be ingrained in these silos, broad finance experience will have disappeared, and companies will not be able to find the talent needed to be the next CFO.

#### 4. Who's next?

The responsibilities of CFOs are now less around the performance of driving businesses and more about being results-oriented, therefore it makes sense that commercial finance was rated as the most likely specialism that the next CFO would come from.

While FP&A and commercial finance go hand in hand, you also require technical finance experience to have a grip on P&L and balance sheet accounting making sure you know it inside out to advance to the CFO level. In our experience, the most common route to becoming CFO is to come up through group finance and then move into FP&A, this is followed with divisional FD experience, heading finally towards the number 1 position.

#### Which function is the next CFO coming from?



#### 5. Finance still leads decision support

Only 27% of respondents stated that their organisation had a dedicated decision support function. Of those organisations, 75% of these functions were being led by the CFO.

Even though this is still in its infancy, these teams are always going to need people that can mine and crunch the data, and then analyse underlying trends. This specialist team will then advise the CEO and the board which levers they can push and pull to take the business forward and achieve the 3-5 year plan.

However, as organisations look to be more disruptive, we will see teams being created to deliver both decision support and performance management. These teams will be made up of talent from different functions (finance, sales, HR, BD, marketing), who can analyse the operational data and people performance metrics along with the overall business performance from a financial numbers perspective. They will be able to present a strategic overview to the board.

We believe a decision support function will be made up of data experts, more than likely with a numerical background, as well as strategic and commercial analysts who may come with an MBA.

## TRANSFORMATION

### 6. Don't underestimate the length of your transformation programme

60% of respondents stated that they were currently undergoing a finance transformation programme. 67% indicated that the programme had been running for 12 months or less, and 53% expected their programme to run for another 12 months or less.

In our experience, we typically see finance transformations run for 12-24 months. These statistics reinforce the point that before committing to a transformation programme, organisations need to be aware of how much they need to invest in terms of time and people (and money). Organisations can't expect it will take just six months when in reality it will take longer, especially when you take into account the need to embed the new business activities into business as usual.

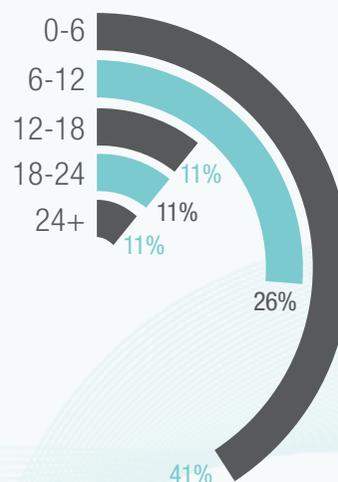


BEFORE COMMITTING TO A TRANSFORMATION PROGRAMME, ORGANISATIONS NEED TO BE AWARE OF HOW MUCH THEY NEED TO INVEST.

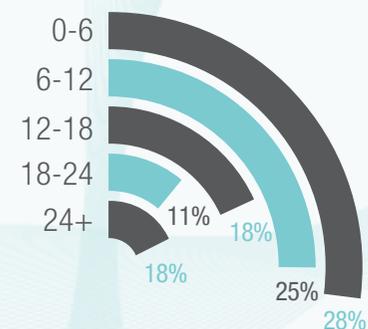


How long has your transformation programme been running for and how long do you expect the programme to last?

Running for (months)



Time remaining (months)

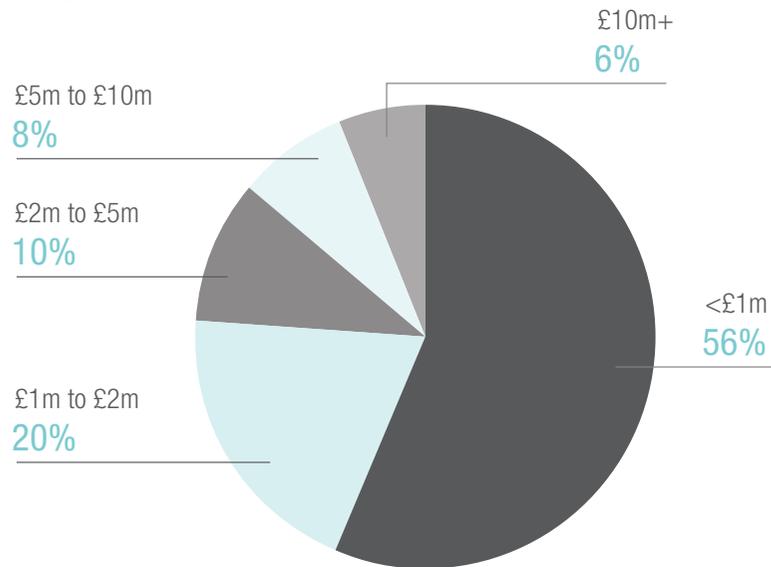


## 7. To save £1m, you need to invest £1m

76% of respondents expected to spend less than £2m on their transformation in 2018, most likely focussing on a cost out exercise, such as outsourcing their finance or transaction services to a third party, or process improvement. 18% are expecting to spend £2-10m, most likely focussing on an ERP/technology-enabled transformation in order to drive transparency, assurance and efficiency.

60% of respondents believe they are going to at least double their return, indicating that to save £1m in costs, you'll more than likely have to invest upfront to the tune of £1m.

### How much do you expect to spend on the programme in 2018?



## 8. Measure twice, cut once

On average, organisations are planning to spend 20% of their transformation budget on business engagement and business readiness. They also plan to spend on average 42% of their budget on delivery.

With 62% spent on delivery and engagement, this leaves the remaining budget being spent on the planning and design phase of the transformation. But should more be spent upfront?

Too often organisations spend too little on planning their transformation programme, only to face a constant stream of problems during implementation, which leads to the programme going over budget or leaves less budget available for business engagement and business readiness. Here the adage, measure twice, cut once rings especially true.

## 9. Everything is important

Organisations are looking to invest in both cost out as well as business growth. They are looking to the future and looking for ways to support the business on its growth trajectory. If all the levers of cost out have been pulled to make the business as efficient as possible, the next phase organisations need to focus on, is growth. You must start growing because you can't do anything else.

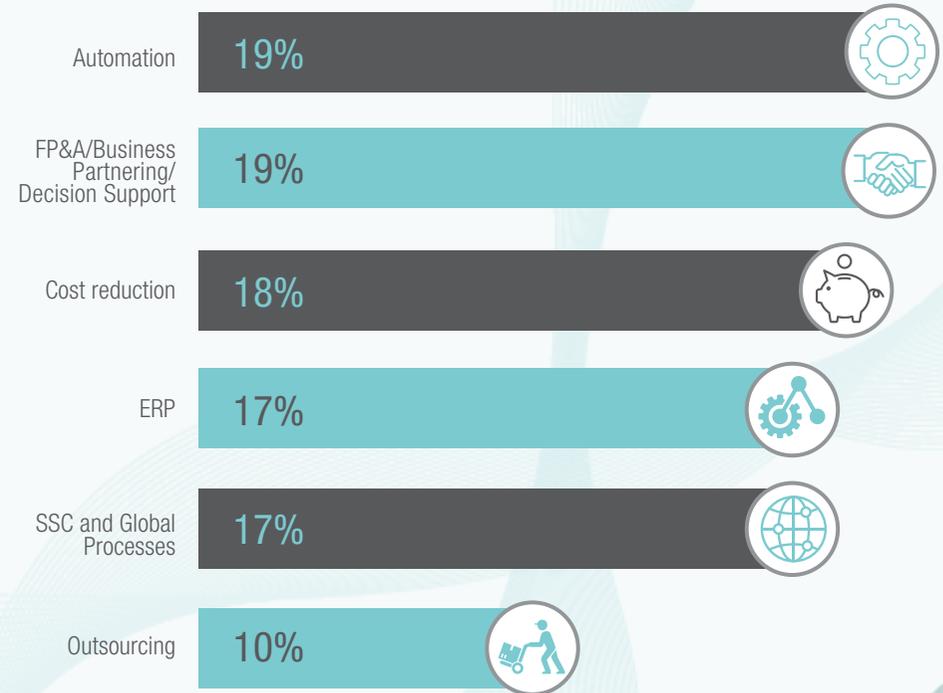
Clearly, these results show companies at different points of their journey, but there is a need to create a function that deals with decision support and performance management at all stages.



IF ALL THE LEVERS OF COST OUT HAVE BEEN PULLED TO MAKE THE BUSINESS AS EFFICIENT AS POSSIBLE, THE NEXT STAGE ORGANISATIONS NEED TO FOCUS ON, IS GROWTH.



## What are the most important areas of focus for your finance transformation programme?

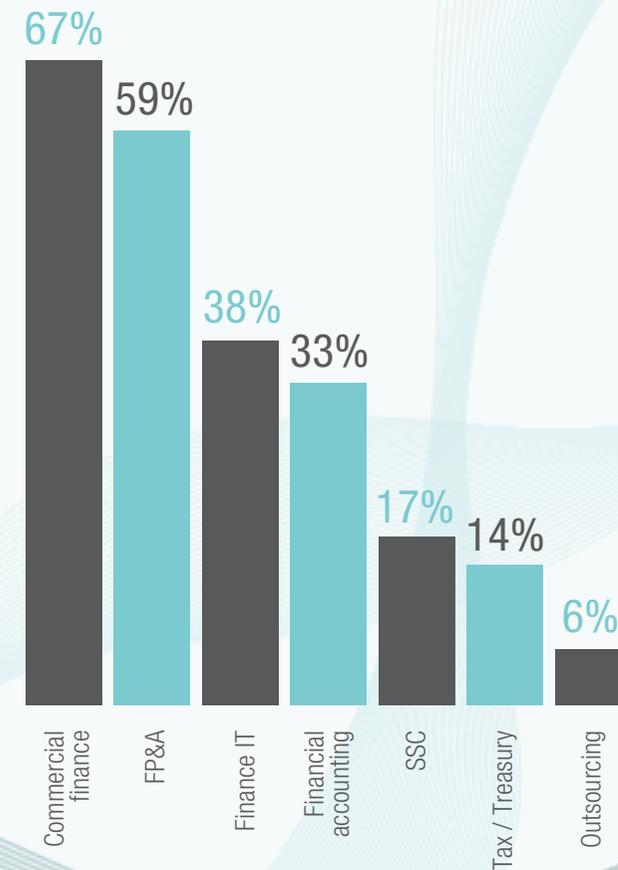


## LOOKING FORWARD

### 10. Investing in people

As organisations drive towards an increased use of technology and decision support, using analytics to predict and develop decisions for the future, commercial finance and FP&A were the top areas that organisations were looking to invest in during 2018.

Where will you invest in people in 2018?

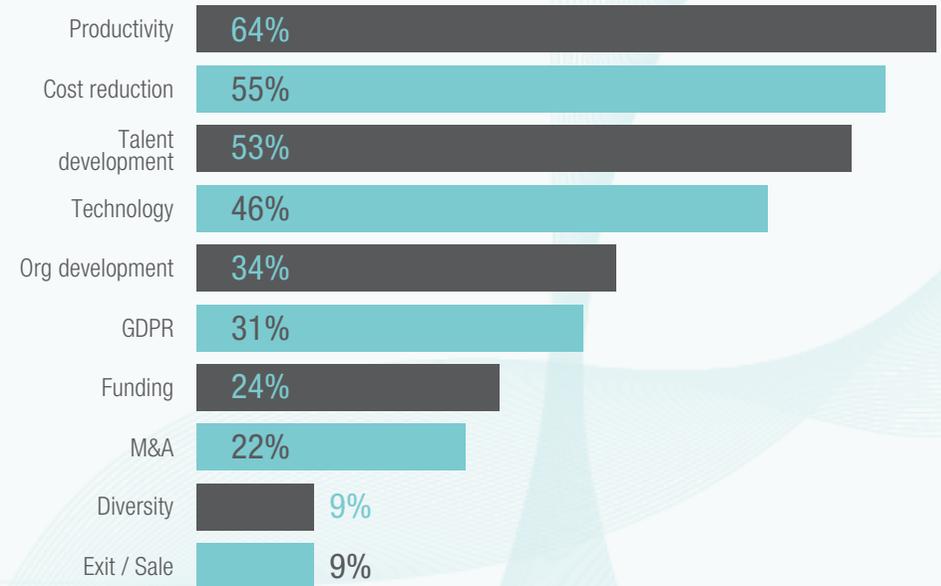


## 11. Team priorities for the next 12-18 months

Productivity, cost reduction and talent development were the highest team priorities over the next 12 to 18 months. As organisations come off the back of a cost reduction transformation, they must drive productivity to achieve more business growth.

Interestingly, talent development scored higher than some of the earlier results would suggest. Respondents are aware they need to focus on this, so why aren't they engaging with the HR department? Do they think their HR department is not fit for purpose?

## What are your team's priorities for the next 12-18 months?

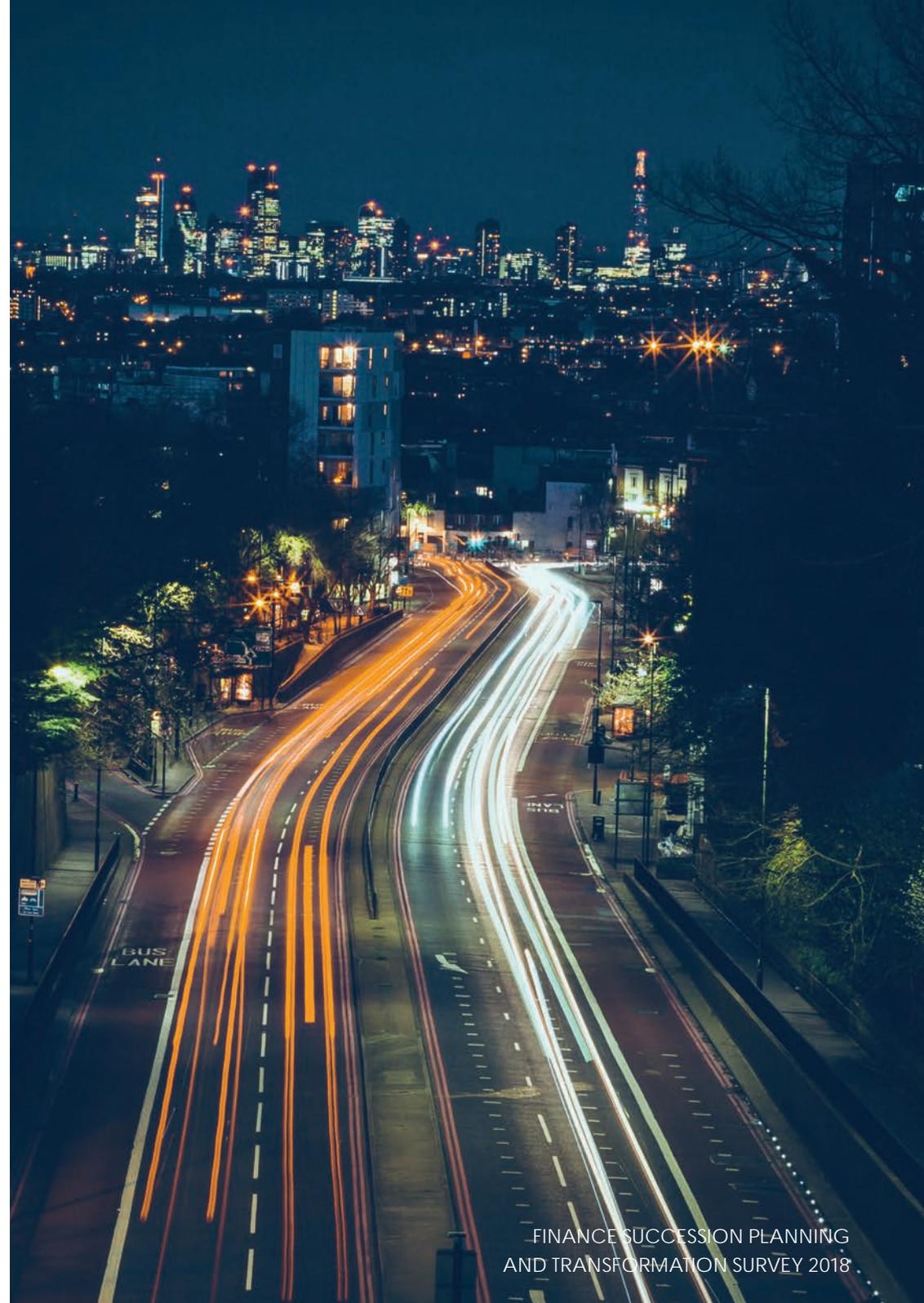


## CONCLUSION

The survey findings show that many organisations are not engaging in appropriate succession planning, and that the majority of CFOs believe their successor will not come from internal talent. This is felt to be partly due to the increase in different specialisms within the finance function.

All this highlights a need for CFOs to be more proactive in engaging with HR Directors to develop an appropriate framework. Many CFOs felt the finance function needs to find a better balance between breadth and expertise across all financial disciplines to allow senior executives to step up to the top role.

When it comes to finance transformation, programmes typically run for 12-24 months, and therefore organisations need to be aware of how much they need to invest in terms of time, people and money. Over 50% of CFOs expect to spend less than £2m on finance transformations. Much of this is going towards delivery and implementation, but more should be spent on the planning and design to ensure the programme does not go over budget and drag on for longer than is necessary.





# ABOUT BIE

**BIE Executive works with companies going through change. Everything we do revolves around supporting organisations deliver their transformation programme, whilst leaving a positive legacy to achieve continuous growth and success.**

Using a mix of business consulting, interim management and executive search services, our integrated solution allows us to support businesses at every stage of their evolution and our functional expertise covers:

- Executive Leadership
- Finance
- Human Resources
- Supply Chain and Procurement
- Technology and Digital

Our specialist finance team hires across all industry sectors and supports our clients through hiring for the following roles:

- Chief Financial Officer
- Finance Director
- Financial Controller
- Head of Financial Planning & Analysis
- Head of Financial Reporting
- Treasury Director
- Tax Director
- Internal Audit Director
- Group Financial Controller
- Finance Transformation Director
- Shared Services Director
- ERP Implementation Director
- Programme Director
- Programme Manager
- Global Process Owners

To arrange a consultation to discuss your current and longer term challenges and opportunities, please visit

[www.bie-executive.com/arrange-a-business-consultation](http://www.bie-executive.com/arrange-a-business-consultation)

or contact us on **020 3953 3250**.