Building the talent of the future

EY’s perspective on the future of talent and how organizations can identify and build the competencies and skills needed to effectively lead in a digital age.
What’s the issue?

The pace and scale of change driven by new technologies, globalization, market volatility and shifting demographics have been unprecedented in disrupting business models and the way organizations conduct business. Even the most traditional of industries have embraced the new digital economy.

The speed of this evolution demands greater responsiveness and innovation from organizations to meet customer expectations and behaviors that are changing at an even faster rate. As organizations look to deliver more customer-centric experiences, their operating models will have to shift to focus on optimizing for effectiveness and innovation instead of efficiency and cost, promoting greater agility and empowering faster decision-making.

As a result, future work will focus around a thinner layer of more sophisticated, complex tasks, such as customer-centric solution design, data analysis and strategic decision-making. This will ripple through all functions of an organization - HR, customer relationship management, supply chain, IT, Finance, etc. It will challenge traditional roles and drive new types of employee profiles and capabilities. Technical skills around creative customer experience design, for example, will become more valuable than traditional skills in operational efficiency.

7.1m jobs will disappear by 2020 as a result of disruptive technologies\(^1\)

To remain relevant in the future, organizations will need to prioritize talent.

They will need to:

- Identify and develop new competencies and skills necessary to effectively lead in a digital age
- Find more innovative ways to attract, inspire and develop talent with the multi-disciplinary skill sets needed to respond to evolving business models and market demands with agility and to deliver the organization's strategy

\(^1\)The Future of Jobs, World Economic Forum, January 2016
What's the issue?

On average, by 2020, more than a third of the desired core skill sets of most occupations will include skills that are not yet considered crucial to the job today[^2].

New competencies and skills for the digital age

Core competencies and skills of the future will include:
- Technical skills around creative customer experience
- Leadership and decision-making: entrepreneurial skills, strategic risk management, etc.
- Data intelligence and the ability to accurately aggregate data from complex and varied data sources and quickly derive insights from this multitude of sources
- Innovative, creative thinking with both the internal and external customer at the heart
- Business partnering/effective collaboration across diverse teams, businesses and functions for innovation, transformation, etc.

Strong social and collaboration skills – such as persuasion, emotional intelligence, and the ability to continuously learn and teach others – will be in higher demand across industries than narrow technical skills, such as programming or equipment operation and control.

New talent management strategies

Building the right talent with the right competencies and skills will be one of the greatest looming challenges for organizations.

During previous industrial revolutions, it took decades to set up the systems and institutions needed to develop new skill sets at scale. With the digital economy, this simply is not an option.[^2]

Moreover, organizations expect that contingent and other flexible workers, such as alliance partners, will become a more critical part of organizations’ talent mix – more than 30% within less than 10 years.[^3]

Most business leaders are aware of these looming challenges but do not believe their organizations’ future talent strategies adequately address them.

[^3]: In a digital world, how can being more human be key to unlocking more growth? ey.com/HumanAtWork, © EY 2017

Organizations will need to:
- Rethink their talent management strategies – how to attract, retain, engage and inspire high-caliber talent by providing stimulating work experiences and greater opportunities for mobility across different departments and businesses
- Strike an appropriate balance between optimizing existing teams and recruiting for in-demand capabilities such as analytics, customer experience and strategic decision-making
- Establish a continuous, dynamic approach to learning to mitigate the shortened shelf-life of skill sets
- Leverage innovative delivery styles to embed fit-for-purpose training within their talent management programs. This will not only facilitate re-skilling on a large scale, but will also mitigate the impact of millennials’ tendency to change jobs frequently

The HR function will become a source of competitive advantage for the organization, providing crucial insights and influencing board-level decisions on how to best attract and retain talent. To do so, they will:

- Innovate their end-to-end talent management approach, including their methods for developing talent, recruiting, succession planning, performance and reward management
- Get more connected to what is happening in the business. They must partner with each function to understand that function’s skills gaps and the competencies needed to enable the function to support the business in meeting its strategy.

The digital economy and Finance

Finance is one such critical function whose role and the value it provides are expected to change significantly due to:
- Its evolving fiduciary responsibilities – Finance will be increasingly asked to provide trust to stakeholders, not only around the organization's financial data, but also around nonfinancial data.
- Its responsibility to harness new technologies to provide the rest of the organization with insights into the future.

We have dedicated the next section to the impact of the digital disruption on Finance and the competencies and skills required for the Finance function of the future to drive strategic value for the organization.
The Finance competencies of the future

What competencies and skills will Finance need to become a more influential driver of business outcomes?
Large Multinational Corporation (LMC) is automating its Finance processes and consolidating them into shared service centers and centers of excellence. LMC leadership is aware that this transformation will have a profound impact on traditional Finance roles, ways of working and capabilities required for the Finance organization to succeed.

As the key sponsor of this transformation, the CFO of LMC has an exciting opportunity to reimagine what the Finance function will look like. She knows that her success as a CFO will depend on having a team of highly credible Finance executives whose priority is to act as Finance's interface with its internal clients. This team’s role will include aligning the work of the analytics teams with business priorities and assisting leaders in understanding the implications of their data. This will free up the CFO’s time to focus on innovating, responding to the rapidly changing business context and moving the business forward.

The CFO is concerned that, today, she does not have those skills in her organization - the strategic decision-making and interpersonal skills needed for more sophisticated, complex tasks beyond data analysis. As she looks to build tomorrow’s Finance function, she will need to find people with the skills and motivation to complement technological innovations and embrace rapid change, different roles and new approaches. She will need to work closely with HR to find innovative ways to attract new talent and engage, inspire and transform the skills of existing talent. She will need to define a new development curve that will include mapping out how she intends to develop people to acquire the breadth of skills necessary to progress through the Finance function and nurture the Finance leaders of the future.

Case study: Developing Finance leaders of the future
What’s the issue for Finance?

The role of Finance is evolving as it takes on a bigger role in supporting the larger organization respond to and manage the digital, socioeconomic and demographic disruption.

Where once its remit was predominantly that of a reporting function, Finance must now drive commercial outcomes as a strategic advisor and true business partner.

In order to do so, Finance will need to spend a greater proportion of its time working with colleagues across the organization to make decisions in support of the overall strategy and growth agenda. Specifically, Finance will need to:

- Align with the business and support it in navigating increasing market complexity and constantly changing regulatory frameworks
- Embrace technological innovations
- Increasingly become a data-driven decision-center, able to quickly derive insights from large volumes of data and communicate those insights to internal and external stakeholders in a timely manner

Many CFOs believe their Finance function does not have the right mix of competencies and skills to take on the larger role it is being asked to play.

The majority of CFOs say:

- Their current Finance function does not have the right mix of capabilities to meet the demands of future strategic priorities
- They cannot focus on strategic priorities because of the lack of necessary skills in the Finance team

As a result, CFOs must make bold choices to:

- Get the right people, with the right skills, to make the most out of new technologies and drive decision-making
- Design a future operating model that focuses their best people on key priorities and delivers a smarter, more forward-looking and resilient Finance function

As they seek to build a Finance function with the right people and the right skills, CFOs must ask:

- What skills and competencies do we need to support our role as strategic business partner, while also overseeing the traditional functions of accounting, controlling and reporting?
- What is the current gap in Finance skills and competencies?
- What are the risks of failing to cultivate the required skills and competencies?
- How do we develop the required skills and competencies with the talent that we have?
- Where and how do we source skills and competencies that we need but do not have?
- Does the current Finance talent management strategy support the future talent needs of Finance?

^The DNA of the CFO: Do you define your CFO role? Or does it define you? ey.com/dnaofthecfo, © EY 2016.
How does this affect the Finance organization?

To enable Finance to provide more strategic value, CFOs must:

• Further evolve the Finance function’s operating model to support this shift
• Challenge their own - and others’ - assumptions about what constitutes Finance talent, seeking the new profiles and skills needed to thrive in an increasingly connected, data-rich future

Evolving the Finance operating model

The Finance function of the future will be even less focused on generating reports and more focused on:

• Deeper and richer engagement with the business
• Business protection through strategic risk management
• Operational excellence through optimized controllership and timely reporting
• Agile responsiveness to changing business needs through data-driven insights, seamless collaborative information flow across all Finance levels and investor relations management

Evolving the Finance operating model will be:

• Smarter
  All transactional Finance processes will be fully automated in outsourced or captive Finance factories. The Finance back-office will shrink. The concentration of people effort and headcount will instead shift into the business partnering and center of excellence layers.
• More forward-looking
  The future Finance function will combine Finance data with external information to help model and predict business outcomes, identifying the most profitable opportunities.
• Better aligned to the business
  There will be closer alignment and engagement with the business. Finance professionals will spend more time working alongside key internal stakeholders, challenging their strategic plans, and modeling and predicting different scenarios.
• More resilient
  The future Finance function will be more focused on managing uncertainty through strategic risk management.

Within the future Finance model there will be teams that are focused on running the business and others focused on changing the business, driving growth and business model innovation.

Tomorrow’s operating model moves beyond driving efficiency to ensuring Finance’s key talent is focused on strategic priorities: driving business model innovation and the growth agenda, managing disruption and risk, and using financial and nonfinancial data to make better strategic and operational decisions.
Rethinking the competencies of Finance

What competencies will be needed to support the Finance of the future?
From where will the Finance competencies of the future be sourced?

As they transform their function’s operating model, CFOs will need to understand what competencies/skills their existing talent has to support the Finance roles of the future and what competencies/skills they will need to recruit. To accomplish this, CFOs will need to abandon many of the traditional preconceptions of what constitutes a Finance resource and look beyond the traditional financial analysis skills.

Business partnering skills will be even more important in the future if organizations are to turn increasing amounts of data into better strategic decision-making. Individuals who possess business partnering skills will be embedded in all Finance functions - the “Finance factories,” centers of excellence, executive layer, for example. This will allow Finance to create effective relationships with internal and external stakeholders and offer their internal clients fresh insights into the strategic challenges they face, drawing on finely honed influencing and communication skills.

Other forward-looking strategic thinking skills, such as problem solving, relationship management and the willingness to innovate in Finance’s risk-averse culture, will become fundamental and essential to the Finance function of the future.

Strategic risk management will be among the top capabilities of the future Finance function, including reputational, regulatory and cyber risk.

Other critical competencies of the future will include:

- Digital IQ - Finance talent will need to be literate in technologies such as blockchain and artificial intelligence (AI) to identify the implications of digital on the organization’s business model and growth agenda
- Data intelligence - to provide business intelligence and management information
- Behavioral science - to turn social/behavioral trends into fresh perspectives and strategic insight
- Business integration and innovation - to lead special projects and large-scale transformations
- Sophisticated planning and forecasting - to manage strategic risk and simulate changes to the business model, such as the introduction of new digital services and products
- Corporate reporting and deep regulatory knowledge - to anticipate regulatory risks and stay ahead of increasing and changing regulatory requirements

67% of CFOs believe that “improving business partnering between Finance and the business” is a major priority for Finance⁶

⁶The DNA of the CFO: Is the future of finance new technology or new people? ey.com/dnaofthecfo, © EY 2016.
Why is addressing the Finance people agenda critical now?

The transformation to the digital economy, along with several recent trends, has contributed to Finance talent shortages and gaps in skill sets that are challenging organizations to rethink their talent management models, particularly around career management, succession planning and leadership development:

1. **Traditional Finance training grounds have disappeared**
   The consolidation of core Finance activities into shared services centers, outsourcing and automation have disrupted the way in which retained Finance functions are able to source and grow their future leaders. Organizations can no longer rely on hiring resources into transactional processing roles and developing them through the ranks to assume leadership positions. They have to find more innovative ways of hiring, training and retaining quality talent that is able to provide strategic, value-added insights for the business.

2. **Workforce demographics have changed**
   An aging workforce in developed countries and a younger, inexperienced workforce in emerging markets have created a shortage of Finance talent that can “speak the language of the business.” Moreover, there is a growing number of millennials in the workforce who prize and seek out purpose-driven, challenging roles that positively impact an organization’s future direction.

3. **New business models have and will continue to emerge**
   Increased merger and acquisition activity, expansion into global/emerging markets and pressures to increase margins have transformed traditional business operations and created new revenue streams. To support this activity, Finance has been asked to provide real-time analytics to manage strategic risks, enhance insights and drive more informed, fact-based decisions.

4. **New technologies are transforming the finance delivery model**
   To leverage new technologies such as, AI, blockchain and robotics, Finance resources must possess digital “data intelligence” skills and experience with the cloud, Software as a Service (SaaS) and advanced analytics.

5. **Expectations for the role of Finance are changing**
   Historically, Finance had limited influence on corporate strategic decisions. Today, Finance is expected to take a “seat at the leadership table.”

The ability of Finance to react with agility to these and increasingly many more shifts and disruptions will be essential.

With the right operating model and a clear picture of how key Finance talent will be recruited, developed, measured and rewarded, CFOs can make organizational agility part of their Finance organization’s DNA.
What’s the fix?

CFOs will need to ensure they have the right talent management strategies in place for the different Finance teams. This includes:

1. **Defining a Finance competency model of the future that combines:**
   - Technical skills required to exploit the potential of new technologies and increasing volumes of data
   - STEAM skills to drive innovative thinking
   - Softer skills such as interpersonal, social and strategic skills, in order to complement prescriptive and predictive analytics with emotional intelligence and innovative, intelligent thinking

2. **Defining strategies to recruit the right talent**
   By challenging the accepted norms of what constitutes a Finance professional, CFOs can help find the new blood that will be essential to re-energize and equip the function for the challenges of the future.
   
   Finance recruits of the future may be MBAs or may have run shared service centers. They are likely, however, to have more diverse backgrounds than traditional Finance recruits. For example, they may hold arts or IT degrees and be steeped in the operations of the business or the operations of businesses in other industries.

3. **Defining career paths, success profiles, learning and development, and performance measurement strategies**
   Changes to the operating model will alter Finance professionals’ traditional career path. CFOs will not only need to rethink the Finance career path, they will also need to work with HR to redefine a new development curve and talent management strategy.
   
   This will include mapping out how they intend to:
   - Develop people to acquire the breadth of skills necessary to progress through the Finance function
   - Nurture the Finance leaders of the future
   - Measure and reward performance
   - Identify and leverage new sources of talent

EY has developed a framework and a set of tools to enable CFOs and other business leaders to build the right competencies, skills and talent management strategies for their smarter, more forward-looking, strategy-aligned functions/organizations of the future - an offering we call Organizational Capability Excellence (OCX).
Organizational Capability Excellence

How can organizations identify and develop the competencies, skills and talent management strategies needed to drive their business strategies?
How can EY’s Organizational Capability Excellence help?

OCX helps Finance and other functional/business leaders, including HR, Supply Chain, IT and Risk Management, address the growing challenges they face around their talent agenda – finding and/or developing the right talent, career management, succession planning, retention – and focuses their efforts on building the capabilities and talents that matter most.

OCX offers a framework for assessing the competencies and skills of an organization’s – or a specific function’s – talent and the adequacy of its talent management strategies and processes, with the objective of aligning them to the overall business strategy.

It leverages a structured, customizable competency and skills assessment facilitated by an easy-to-use, cloud-based tool.

The competency and skills assessment enables leaders to:

• Develop a holistic view of the current talent mix and understand if their function has the right talent to deliver the value-added insights that the organization needs
• Understand what their functional model needs to look like to stay in step with business needs

This information will then be used to:

• Develop a target competency model, career paths and success profiles

- Align the functional talent management strategy to the future needs of the business
- Define strategies for recruiting and/or developing the competencies and skills that will be important for the function’s future role; this includes delivering fit-for-purpose learning and development programs at all levels of the organization

Tools and programs offered through OCX include:

**OCX cloud-based competency assessment tool**

**Leadership development programs**

Leadership development programs are delivered across organizational functions and members of the C-suite.

For example, Finance Leadership Development Programs include:

- DNA of the CFO: CFO Excellence
  - Targeted for existing and/or new CFOs
- DNA of the CFO: CFO Horizons
  - Targeted for aspiring CFOs and Finance leaders
- Finance Leaders Foundations
  - Targeted for the Finance function’s resources
What’s the bottom line?

The extent and pace at which market disruption is impacting the business environment cannot be underestimated. All functions are being asked to lean in and support the business in managing strategic risks and driving business growth.

Finding the right talent for the organization’s various functions of the future will become an ever more critical challenge, complicated by demographic trends, intense competition and changes in the ambitions and expectations of young professionals.

Organizational Capability Excellence provides a framework designed specifically to help business leaders address the challenges they have around building the right competencies and skills that will enable their functions to be effective business partners and strategic advisors.
Organizational Capability Excellence will help organizations focus on the people agenda, allowing them to develop a strong competency model supporting well-defined career paths. OCX will also help manage skill-related risks and will, ultimately, support improved employee satisfaction and reduced turnover.

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As the world continues to be impacted by globalization, demographics, technology, innovation and regulation, organizations are under pressure to adapt quickly and build agile people cultures that respond to these disruptive forces. EY People Advisory Services believes a better working world is helping our clients harness their people agenda – the right people, with the right capabilities, in the right place, for the right cost, doing the right things.

We work globally and collaborate to bring you professional teams to address complex issues relating to organization transformation, end-to-end employee lifecycles, effective talent deployment and mobility, gaining value from evolving and virtual workforces, and the changing role of HR in support of business strategy. Our EY professionals ask better questions and work with clients to create holistic, innovative answers that deliver quality results.

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