For newly hired CFOs, building a sturdy talent framework may take seven pillars

Even as "quiet quitting" has evolved into "quiet hiring,"[1] finance executives have remained vociferous when sharing their ongoing recruiting and retention challenges in the tight labor market of the last two years.

Their concern comes through clearly in Deloitte's quarterly North American *CFO Signals*™ survey. From broadening recruitment pools to retaining existing employees, talent has ranked as a top concern among CFOs since Deloitte's Q3 2020 *CFO Signals* survey, when hiring expectations began to rise as companies started planning for the pandemic to ease.[2] By the Q1 2022 *CFO Signals* survey, talent/labor shortages claimed their place among respondents' most worrisome risks. In Q4 2022, *CFO Signals* respondents most frequently cited retention as their most worrisome internal risk.[3]

And that was before the unemployment rate officially dropped to 3.4%.[4] CFO turnover has also remained brisk. One study of SEC filings found that 21% of CFOs had left their jobs in 2021, representing a five-year high, with the average CFO tenure at about 3.5 years.[5]

It's hardly a surprise, then, that nearly every incoming finance chief who goes through Deloitte's CFO Transition Lab™ lists talent as their top priority.

Newly hired CFOs often bring fresh ideas about ways to boost the performance and profile of their inherited finance departments. Success, however, generally depends on the quality of an organization's talent, as well as employees' commitment to the company and to their new leader. The good news here? Transitions are an excellent time to frame and initiate a talent agenda. To staffers, a clearly defined plan around talent is a sign that an incoming CFO intends to support their development and growth. To peers and board members, making talent development a priority signals that the CFO is committed to excellence.

In our experience, roughly a handful of components—which we have dubbed the seven pillars—typically underpin an effective talent framework. In this edition of *CFO Insights*, we look at how incoming chief financial officers can build a motivated and skilled finance team by focusing on some or all of these seven pillars—and what they will likely need from human resources (HR) to make it happen.[6]

1. Get the right people in the right seats

Taking inventory of team members' skills, as well as their deployment, is generally one of the first steps an incoming CFO should take. If a new leader inherits the wrong staff and does not address the issue in the first six months to a year, it can eat up time and damage credibility. Avoiding this trap typically requires support from a company's HR department in four distinct areas:

- **Accessing prior performance reviews for staff.** This task can include obtaining prior goal statements and performance reviews or 360-degree assessments, as well as assessments of how staff performs and relates to other teams. Many incoming executives note that internally available information often does not deliver insight into individual performance and capabilities. To fill in the gaps, new executives often assign tasks and observe worker performance over a three-to-six-month period.
- **Improving performance management.** If previous reviews don't provide solid insight, then it's imperative to fix the existing performance management processes. A key is to have a system in place that documents the details of what staff set out to accomplish and their results. Ideally, it should flag areas where workers need to improve skills and behaviors.
- **Exiting poor performers and recruiting upgraded talent.** HR can provide supportive processes for counseling or terminating underperformers. Equally important, HR can help with job descriptions and identify the right recruiters—inside or outside of the company—to source critical talent.
- **Supporting flexible compensation models.** Senior executives often require specialized skills for their teams. Existing compensation models, however, may be ineffective at attracting candidates with those skills. As the leader of the finance department, an incoming CFO should look to determine what models are most likely to get those workers through the door. Obviously, the ask requires a fair amount of flexibility from HR.

2. Build high-performing teams

Sometimes incoming executives inherit disengaged or dysfunctional teams that will have to be rebuilt. HR can help CFOs smooth the process in a number of ways:

- **Diagnosing employee engagement and team capabilities.** Engaged employees generally deliver higher levels of performance. Therefore, it's important to gauge whether any team members have tuned out. A more granular assessment of team capabilities and behaviors may prove instructive.
- **Overcoming silos and creating "teams of teams."** Departments may have individuals who demonstrate silo behaviors. Therefore, it might be necessary for an incoming executive to undertake team-building events. These activities require leadership and staff to engage across silos and establish better communication processes. Notably, the approach can help build trust across teams.
- **Overcoming cultural dysfunctions in the team.** In some cases, an incoming executive will inherit a staff whose behavior has been shaped for the worse by a previous boss. When prior leaders have been too controlling, staff members are sometimes unwilling to take ownership of decisions and resort to "delegating up." Re-empowering them requires diagnosing the prevailing beliefs and then changing their mindset to one that encourages staff to take ownership. HR can help with culture change, including recruiting candidates who demonstrate and encourage ownership of decisions. (See "Group dynamics: How can you fix a dysfunctional team?" *CFO Insights*, May 2021.)
- **Executing clear communication strategies.** In the transition phase, leaders will want to frame a clear strategy and cadence for communicating with their team and organization. Sometimes a chief of staff or an internal communications resource may be available to help with town hall meetings and communications.

3. Develop talent to support a sustainable organization

In our CFO Transition Labs, the CEO and board audit committee will often say that they want to see a strong finance department, particularly one with a deep bench. Most CFOs in our labs are looking to build a stable, resilient and sustainable finance department with low turnover.

To make it happen, CFOs often take these initial steps, frequently partnering with HR:

- **Sourcing and delivery of training programs.** Training covers a wide array of proficiencies, from generalized project management to communications and leadership skills, to more specialized functional training. Instruction for these specific roles or tasks may be provided by in-house experts or third parties. Beyond traditional models, hands-on learning can be extremely valuable.
- **Sourcing and providing coaches.** An incoming executive sometimes finds a staff member who has the desired functional skills but has a communication or behavioral issue that impedes success. This can require coaching or other guiding conversations to remedy.
- **Succession planning for critical staff.** All organizations deal with turnover. As such, transitioning leaders should look to ensure a strong pipeline of talent that's ready now and ready later to meet succession needs for planned retirements and staff exits. For an incoming executive, it is important to gauge the level of HR support for succession planning, along with any risks to the team if key workers leave.
- **Progression planning beyond succession planning.** A succession plan is most useful when the horse has left the barn. To avoid that scenario, it's prudent to retain quality talent. Thus, a chief financial officer should look to develop an overall progression plan, one that takes employees with high potential talent and grows their capabilities and adds responsibilities in a way that is most likely to keep them on board. Too often in our labs, we hear that scant attention has been paid to constructing meaningful career development opportunities for key employees. In the Q3 2022 *CFO Signals*™ survey, nearly two-thirds of surveyed CFOs cited providing career development and more clarity in growth opportunities (63%) and increasing salaries (62%) as effective actions in retaining talent (see Figure 1).

4. Enhance employee engagement

Committed team members usually feel positive about their employers and are intrinsically motivated to undertake work that advances the company's mission. In addition, worker engagement drives employee involvement and ownership of company issues, as well as productivity. A recent Gallup poll found that the ratio of engaged to actively disengaged workers in the US is 1.8-to-1, down from 2.1-to-1 in 2021 and 2.6-to-1 in 2020. This is the lowest ratio of engaged to actively disengaged employees in the US since 2013.[7]

5. Increase diversity, equity, and inclusion

Many executives understand that a diverse workforce often provides a source of competitive advantage. Since 2020, we have seen a renewed focus on diversity, equity, and inclusion in our Transition Labs in the US. Attaining competitive diversity, though, requires programs that recruit diverse candidates, embrace inclusion, and boost retention of diverse employees. (See "Seize the DEI: How CFOs can help implement strategies around diversity, equity, and inclusion," *CFO Insights*, January 2022.)

6. Modernize work, workplace, and workforce

Changing business needs, service models, and employee demographics have triggered a corporate rethink on the nature of work. Since the pandemic, however, we see executives putting an even greater emphasis on modernizing their organizations. Tight labor markets caused by "the Great Resignation" have galvanized efforts to recruit and engage the workforce of the future.

Figure 1. Developing a talent for retaining employees

*Which three actions have you found to be most effective in retaining talent at your organization?**

*110 respondents (98% of total)

Source: *CFO Signals, Q3 2022, US CFO Program, Deloitte LLP*

- **Rethink work.** The jumping off point for modernizing the organization involves rethinking the work of the organization. Specifically, what needs to be done by humans, and what is better done by software and robots. In the Transition Labs, we see an acceleration of automation efforts and the use of digital tools and artificial intelligence to automate manual and repetitive tasks. In Deloitte's Q4 2022 *CFO Signals* survey, about 60% of respondents said that their organizations plan to use automation/digital technologies to replace certain jobs performed by humans (see Figure 2).
- **Rethink the workforce.** If you rethink work, it follows that you will probably have to rethink workforce capabilities. In our Transition Labs with CFOs, we've observed a number of trends in this arena. For one thing, overseeing the robots requires humans with new skills. Automation also frees up employees to work on higher-value assignments, which can require additional training and, as a result, help upskill the workforce.
- **Rethink the workplace.** As we rethink work and the workforce, it is also important to re-examine *where* people work. The global pandemic has upended the assumption that knowledge workers need to do their jobs in an office. Video conferencing and new communications platforms have enabled remote work for staffers. The same holds true for executives. In fact, since the pandemic, we've noticed a number of C-suite executives in our Transition Labs who do not live in the cities where their corporate headquarters are located. As technology advances, the concept of a workplace is likely to keep evolving, shifting from the office to a variety of physical and virtual alternatives. (See "How CFOs can learn the ins and outs of the hybrid work model," *CFO Insights*, Oct. 6, 2022).
- **Rethink needed capabilities.** Incoming CFOs may have to redraw the reporting lines of their organizations, elevating roles that are growing in importance. New CFOs who find that their companies don't have a financial planning and analysis (FP&A) capability, for instance, may want to create an FP&A position that directly reports to them. Likewise, new chief financial officers might have to move other finance functions, such as tax, up the organization chart to attract the right talent. As work, workforces, and workplaces change, it is important to ask what capabilities in skill, systems, and processes will be critical in the coming years. Acquiring these capabilities will be vital to modernizing the organization.

7. Nurture the next generation of leaders

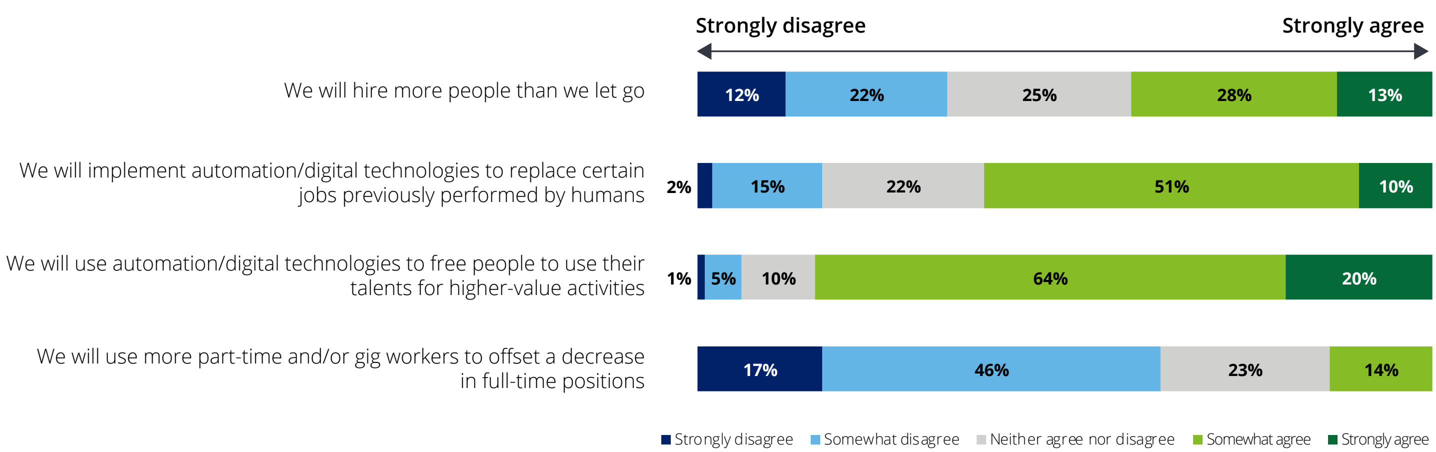
Good leaders look to produce future leaders—those who can look ahead, set an agenda, and help the organization navigate from the present to a better future. Programs to train potential leaders need to be tailored for individual personalities.

Going all in

To be sure, the first five pillars of a talent agenda will likely be the most urgent during an executive's transition. Implementing all seven pillars early on, however, can position the new finance chief as an executive who demonstrates strong talent leadership and also drive talent engagement and productivity.

Figure 2. Managing the intersection between humans and machines

*What are your expectations for your organization in 2023?**



*125 (99%) of respondents across eight industries answered. Note that some respondents didn't answer every part of the question.

Source: *CFO Signals, Q4 2022, US CFO Program, Deloitte LLP*

End notes

1. "How the U.S. labor market went from 'quiet quitting' to 'quiet hiring,'" CNBC.com, Feb. 6, 2023.
2. CFO Signals™: Q3 2020, US CFO Program, Deloitte LLP.
3. CFO Signals™: 4Q 2022, US CFO Program, Deloitte LLP.
4. "The employment situation—January 2023," Bureau of Labor Statistics, US Department of Labor, Feb. 3, 2023.
5. "CFOs and the C-Suite: Staying Power, Pay and Pain Points," Datarails, 2022.
6. For more details see: Ajit Kambil, *The Leadership Accelerator: The Playbook for Transitioning into Your New Executive Role* (McGraw Hill; January 2023), from which this article is adapted.
7. "U.S. Employee Engagement Needs a Rebound in 2023," *Workplace,* Gallup.com, Jan. 25, 2023.

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