BENCHMARKING 2018

ACCOUNTING AND FINANCE FUNCTIONS

ferf financial executives research foundation

Robert Half®

TABLE OF CONTENTS

Executive Summary

Automation, Financial Systems and Digital Transformation

Workforce Management

Accounting Operations

Internal Controls and Compliance

Using Benchmarking Data and Insights to Drive Improvement

Research Methodology and Respondent Demographics

Acknowledgments

Calculate Your Staffing Needs with the Workforce Planning Tool

EXECUTIVE SUMMARY

Today's financial leaders face an array of challenges — from finding an ample supply of skilled talent to helping their teams meet heightened business expectations for driving efficiency, reducing costs and creating new value. On top of it all, financial executives need to navigate a rapidly changing business world with evolving regulations and emerging technologies.

All the above may sound like old news. And certainly, the competition for talent and regulatory challenges have been described in detail in previous editions of this report. What's new in 2018 is the intensified nature of these and other trends, especially those related to technology.

Over the past several years, we have seen organizations — of all sizes and across industries — embracing technology that allows them to automate labor-intensive or routine processes, such as payroll processing, project management and financial reporting. Many firms have also been expanding their use of financial systems, particularly cloud-based solutions, to improve efficiency, support team collaboration, enhance compliance and more. But another dynamic — digital transformation — is completely changing how many accounting and finance functions, and the businesses they support, operate.

It's difficult to assign an exact definition to digital transformation, also often referred to as digitalization. The process means different things to different organizations, depending on what they want to achieve by becoming a digital business and to what degree they must change to reach those goals. For this report, our definition of digital transformation is broad: applying technology, including automation and cloud-based solutions, to create new business models and processes; drive innovation and revenue; and, in some cases, disrupt entire markets and industries.

Given the accelerating pace of both technology and business change, it has never been more difficult for financial executives to monitor team structures and performance; measure their success, drive improvement; and, where needed, embrace new ways of working. To help leaders of accounting and finance organizations feel more confident they are making informed decisions and managing their teams effectively in this environment, Robert Half has teamed with Financial Executives Research Foundation (FERF) to produce this survey report, Benchmarking Accounting and Finance Functions: 2018.

The report, in its ninth year, is based on survey responses from more than 1,700 financial leaders at public and private organizations in the United States and Canada. It also features insights from follow-up interviews conducted with financial executives at businesses throughout North America.

WHY BENCHMARK YOUR ACCOUNTING AND FINANCE FUNCTIONS?

Financial executives, by observing industry benchmarks, can better understand how other accounting and finance departments are using resources — human; financial; and, increasingly, technological — and update their own processes and practices to meet changing expectations and demands.

The findings in this report are intended to help senior financial executives make comparisons easily and assess how their accounting and finance functions operate in relation to those of their peers.

What's covered in this report

Our previous benchmarking report focused primarily on the challenges accounting and finance leaders face in recruiting and retaining skilled talent. It is clear that these workforce management issues remain a key concern for the executives who took part in this year's survey. However, other trends — specifically on the technology front — are also top of mind for these leaders.

As a result, this year's report leads with an overview of technology trends impacting accounting and finance functions. Our analysis includes a look at how automation and digital transformation are driving the need for new skills in accounting and finance organizations today and will likely influence team structures in the future.

The technology discussion includes an update on the use of financial systems, including cloud-based solutions, in accounting and finance functions.

We also look at how companies and their financial leaders are managing everyday operations. Topics covered include outsourcing and the use of interim and project-based professionals. We also examine the burden of compliance requirements and costs on financial leaders and their teams.

Throughout the report, we highlight comparisons between new data and previous years' findings and identify notable trends and differences. We close with recommendations for how leaders can use the data and insights in this report to drive improvement in their organizations.

RESEARCH HIGHLIGHTS

In each section of the report, we single out our key data findings. Below are several insights that we found of overall interest:

- Accounting and finance organizations are automating processes primarily for these functions: invoicing, data collection, report generation, document storage and compliance. Many firms also expect to automate processes such as financial planning and forecasting — for example, predictive reporting — over the next three years or at some other point in the future.

- Adoption of cloud-based solutions among accounting and finance leaders in North America continues to rise. Three-quarters (75 percent) of U.S. respondents said they are either using cloud-based solutions or plan to do so in the future, compared to 72 percent in our 2017 survey and 62 percent in 2016. Seventy-three percent of Canadian financial executives said they are using or plan to use cloud-based solutions — up six points from last year's survey and 26 points from our 2016 survey.

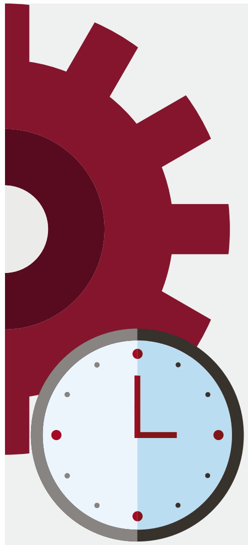
- Seventeen percent of organizations in the United States and 22 percent in Canada said they plan to expand their accounting and finance teams due to digital transformation initiatives. About half of the financial executives in North America surveyed said they expect to maintain their current staffing levels.

- Accounting and finance managers in the United States work an average of 46 hours per week, down from 47 hours in our previous survey. Canadian accounting and finance managers are devoting 43 hours per week to their jobs, on average, down from 45 hours last year.

- More than half the firms in the United States and Canada we surveyed rely on manual processes for accounts reconciliation, but those percentages are decreasing. For example, a growing number of firms in North America report they are using internally developed tools or systems.

- The finance function is primarily responsible for overall effectiveness of internal control over financial reporting (ICFR) in most U.S. and Canadian organizations.

- Only about one-third of financial executives in both the United States and Canada say they expect to see their compliance costs rise this year; many expect costs to remain steady. However, most organizations in North America anticipate their compliance burden will increase over the next three years.



HOW TO USE THIS REPORT

Benchmarking Accounting and Finance Functions: 2018 features four sections:

- Automation, Financial Systems and Digital Transformation
- Workforce Management
- Accounting Operations
- Internal Controls and Compliance

Within each section are:

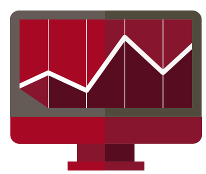
- Key Data Findings: An overview of trends identified in the survey and follow-up interviews with financial executives
- Discussion and Analysis: Summaries of survey results, with charts and tables
- Points of View: Executive interviews
- Takeaways: Summary of key insights from data and executives

AUTOMATION, FINANCIAL SYSTEMS AND DIGITAL TRANSFORMATION

QUICK DEFINITIONS: Automation and Digital Transformation

In this report, we use the term automation to describe the general process of changing a manual business process, such as payroll processing or financial reporting, to a digital one. This is also referred to as process automation. Automation may or may not be part of a larger digital transformation effort.

As explained in the Executive Summary on Page 3, digital transformation describes the broader effort by organizations to enable, improve and transform business functions through the use of technology. As such, it is an umbrella term that can include process automation as described in the previous paragraph. It can also include cloud computing solutions, data analytics tools, internet of things (IoT) devices, artificial intelligence (AI) and machine learning.



KEY DATA FINDINGS

Automation

- Accounting and finance organizations are automating processes primarily for invoicing, data collection, report generation, and documentation storage and compliance. Many firms also expect to automate processes such as financial planning and forecasting in the coming years.
- Many organizations do not have plans to automate processes that require strategic judgment, such as financial decision making and project management. For example, 26 percent of firms with less than $499 million in revenue and 35 percent of businesses with more than $500 million in revenue said they don't have plans to, or won't, automate financial decision making.

Financial systems

- Greater percentages of U.S. and Canadian organizations plan to adopt cloud-based solutions.

Digital transformation

- Seventeen percent of organizations in the United States and 22 percent in Canada said they plan to expand their accounting and finance teams due to digital transformation initiatives. About half of the financial executives in North America anticipate maintaining current staffing levels.
- Many organizations are looking to expand their accounting and finance teams' skill sets due to digital transformation. Technical skills like data analytics and nontechnical abilities such as communication skills are highly valued.

DISCUSSION AND ANALYSIS

Many organizations are widening their embrace of automation and cloud computing

Accounting and finance organizations throughout North America are increasing their use of automation and cloud computing. The decision to move to automation and the cloud is often rooted in the desire to boost efficiency. But increasingly, it is tied to digital transformation initiatives either in the accounting and finance functions, in the broader business, or both.

Our surveys in recent years hinted at acceleration of the automation trend, so we decided to dig deeper into it in our latest survey. We learned most organizations in the United States and Canada are already using, or are planning to use in the next three years, automation in their accounting and finance departments (Figures 1 and 2).

Accounting and finance functions are most commonly automating invoicing, data collection, financial report generation, and documentation storage and compliance. Many firms also see opportunity to automate processes such as financial planning and forecasting.

Figure 1: Process Automation Plans for Accounting and Finance Departments — Companies With Less Than $499 Million in Revenue

	Today	Next 3 years	In future	Do not plan	Won't automate	Not sure
Credit management	4%	5%	3%	10%	10%	10%
Data collection	12%	7%	4%	7%	6%	7%
Data entry	8%	9%	6%	6%	6%	7%
Documentation storage and compliance	11%	10%	7%	5%	4%	7%
Financial decision making	2%	4%	3%	11%	15%	9%
Financial forecasting	5%	9%	6%	8%	8%	7%
Financial modeling	3%	9%	5%	8%	8%	10%
Financial planning	5%	7%	5%	9%	10%	8%
Financial report generation	16%	9%	6%	5%	4%	4%
Invoicing	17%	6%	5%	6%	5%	4%
Predictive reporting	2%	8%	6%	9%	9%	10%
Project management and reporting	6%	7%	5%	8%	8%	9%
Report analysis	8%	9%	5%	8%	6%	7%

Executive Summary

Automation, Financial Systems and Digital Transformation

Workforce Management

Accounting Operations

Internal Controls and Compliance

Using Benchmarking Data and Insights to Drive Improvement

Research Methodology and Respondent Demographics

Acknowledgments

Calculate Your Staffing Needs with the Workforce Planning Tool

Figure 2: Process Automation Plans for Accounting and Finance Departments — Companies With $500 Million or More in Revenue

	Today	Next 3 years	In future	Do not plan	Won't automate	Not sure
Credit management	5%	7%	7%	10%	9%	10%
Data collection	12%	10%	5%	6%	5%	5%
Data entry	6%	13%	6%	6%	5%	8%
Documentation storage and compliance	10%	9%	9%	4%	2%	7%
Financial decision making	3%	2%	6%	18%	17%	10%
Financial forecasting	7%	7%	10%	8%	10%	7%
Financial modeling	6%	9%	9%	8%	7%	8%
Financial planning	7%	4%	10%	6%	11%	9%
Financial report generation	12%	8%	7%	4%	6%	5%
Invoicing	14%	5%	8%	6%	9%	4%
Predictive reporting	4%	8%	12%	10%	3%	11%
Project management and reporting	5%	9%	4%	8%	13%	10%
Report analysis	8%	8%	7%	6%	3%	7%

Few accounting and finance organizations indicate they plan to automate certain processes that require strategic thinking capabilities. For example, 26 percent of firms with less than $499 million in revenue and 35 percent of businesses with $500 million or more in revenue say they don't have plans to, or won't, automate financial decision making. Those percentages are likely to change as AI and machine learning technologies — which have capabilities similar to human thinking and decision-making processes[1] — continue to mature and more businesses adopt them, especially as part of their digital transformation efforts.

[1] AI describes machines that are programmed to perform tasks that normally require human intelligence. Machine learning, a subset of AI, is the science of training devices and software with data and other information so they can "learn" and improve their capabilities over time automatically (i.e., without being explicitly programmed to do so).

Executive Summary

Automation, Financial Systems and Digital Transformation

Workforce Management

Accounting Operations

Internal Controls and Compliance

Using Benchmarking Data and Insights to Drive Improvement

Research Methodology and Respondent Demographics

Acknowledgments

Calculate Your Staffing Needs with the Workforce Planning Tool

For now, based on the survey findings and our follow-up interviews with financial executives, it appears that many accounting and finance leaders are looking to score quick wins with process automation. For example, they are automating routine tasks like invoicing and report generation to reduce the day-to-day burden on their core teams and free them to do more interesting and value-added work.

However, we also found that some firms move toward automation to better serve the organization and meet higher expectations from the business about the performance of the accounting and finance functions. U.S. and Canadian financial executives expect automation of tasks within the finance function to impact their employees' daily work in two main ways: 1) enabling greater focus on execution, and 2) increasing the output of each employee (Figure 3). By reducing the time spent on routine tasks such as account reconciliation and transaction recording, accounting and finance teams can devote more time to analysis, collaboration with business units and decision support.

Figure 3: Anticipated Impact of Process Automation on Accounting and Finance Functions by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Enable focus on execution	30%	37%	36%	39%	29%	30%	33%	36%
Enable new capabilities	14%	13%	14%	20%	10%	15%	13%	15%
Enhance work-life balance	16%	15%	18%	17%	27%	15%	16%	14%
Increase output of each employee	23%	26%	26%	20%	26%	30%	25%	23%
Not sure	15%	8%	5%	4%	8%	10%	10%	9%
Other	3%	1%	0%	0%	0%	0%	2%	2%

Digital transformation a factor for cloud adoption

In our last benchmarking report, we discussed how companies and their financial leaders had reached an important moment with cloud adoption. Interviews with financial executives revealed they were beginning to understand how the benefits of cloud use in accounting and finance departments outweighed reservations about moving to the cloud — including security concerns.

They could see the value of cloud-based technologies as tools for supporting resource-strapped teams. Many also faced the reality that it was time to move away from slow, overly complex and costly legacy systems. Now, digital transformation efforts are accelerating the move to the cloud for many accounting and finance functions. Interestingly, some of our interviews with financial executives revealed that accounting and finance teams are inspiring wider adoption of cloud solutions within the business (Page 21).

This year, we see that more than half (55 percent) of U.S. respondents are using some or only cloud technology in their accounting and finance functions, and 20 percent plan to do so in the future (Figure 4). Only one-quarter of U.S. financial executives said they have no plans to adopt the technology, down from 28 percent last year.

In Canada, 45 percent of organizations are using some or only cloud-based solutions in their accounting and finance functions — up five points from last year's survey. Twenty-eight percent said they plan to do so in the future. And 28 percent of organizations surveyed said they have no plans to move to the cloud, down from 32 percent in 2017.

Figure 4: Use of Cloud-Based Solutions for Accounting and Finance Functions, by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Use only cloud-based solutions	14%	12%	6%	0%	0%	0%	11%	7%
Use some cloud-based solutions	39%	38%	58%	61%	50%	69%	44%	38%
Do not currently use cloud-based solutions but plan to in the future	20%	24%	16%	17%	30%	15%	20%	28%
Do not currently use cloud-based solutions and do not plan to in the future	28%	26%	20%	22%	20%	15%	25%	28%

Use of stand-alone accounting systems increasing among Canadian firms

As for enterprise resource planning (ERP), almost half of accounting and finance functions in the United States (49 percent) rely primarily on stand-alone accounting systems (Figure 5).

Figure 5: Primary Financial System Used, by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
On-premises ERP	14%	29%	43%	52%	50%	69%	26%	33%
Cloud ERP	16%	19%	22%	4%	23%	23%	19%	11%
Stand-alone accounting system	64%	44%	30%	43%	13%	8%	49%	51%
Other	5%	8%	5%	0%	13%	0%	6%	5%

There also has been a significant increase in the number of Canadian organizations using stand-alone accounting systems. In 2017, 40 percent reported using these systems. This year, that number is up 11 points to 51 percent.

Many companies relying on customized or hybrid solutions

Consistent with our findings from previous benchmarking surveys, companies across North America are employing an array of well-known ERP brands or systems. In the United States, Oracle solutions, including PeopleSoft and JD Edwards, are the most widely used. In Canada, the most commonly used system is Microsoft Dynamics (Figure 6).

Figure 6: Leading Brand of ERP or Cloud ERP System Used, by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Microsoft Dynamics	7%	15%	7%	7%	9%	8%	8%	20%
NetSuite	3%	5%	6%	0%	3%	0%	6%	0%
Oracle/PeopleSoft/JD Edwards	2%	4%	16%	33%	30%	25%	11%	11%
SAP	3%	5%	15%	20%	30%	33%	9%	16%
Workday	0%	0%	3%	0%	3%	8%	2%	0%
Other	85%	70%	53%	40%	24%	25%	64%	54%

Many firms selected "other" as their brand or system of choice, which suggests they are using more customized or hybrid ERP solutions or opting to work with smaller providers. Similar to last year's survey, we learned that the smallest organizations (less than $25 million in revenue) are gravitating toward these solutions, likely because of their cost, flexibility and accessibility. Eighty-five percent of the smallest companies surveyed this year selected "other" — an increase of 22 points from our previous report.

We also see that U.S. businesses are more likely than their Canadian counterparts to use customized or hybrid ERP solutions and rely on smaller providers. Sixty-four percent of U.S. respondents chose "other," compared to 54 percent of Canadian businesses surveyed (Figure 6). That finding echoes results from last year's survey; however, this year, we see an increased rate of response in the "other" category from firms in both countries.

Excel still the go-to tool for budgeting and planning — but fading slightly

Microsoft Excel is the preferred tool for budgeting and planning across accounting and finance functions surveyed (Figure 7). However, as more teams embrace ERP and cloud-based solutions with similar capabilities, we are seeing fewer firms identifying Excel as their top tool. Sixty-three percent of U.S. companies report they rely on Excel, down six points from last year. And 68 percent of Canadian firms said they use Excel for budgeting and planning, down 10 points from our 2017 survey.

The survey results suggest smaller companies still find Excel especially valuable for supporting their work. (That finding aligns with trends observed in our previous surveys.) For example, 69 percent of firms with less than $25 million in revenue report Excel is their go-to tool for budgeting and planning. However, in our 2017 report, that figure was 78 percent, so it appears usage is declining among these committed Excel users.

Figure 7: Leading Types of Budgeting and Planning Tools Used, by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Excel	69%	65%	53%	63%	43%	41%	63%	68%
IBM/Cognos	1%	0%	2%	0%	4%	0%	2%	1%
Oracle/Hyperion	0%	2%	5%	7%	26%	35%	3%	2%
SAP Business Planning and Consolidation	1%	2%	5%	7%	9%	18%	2%	4%
Internally developed/legacy tool	9%	8%	9%	7%	11%	6%	9%	9%
Other	11%	17%	23%	17%	4%	0%	15%	12%
Do not use	8%	6%	3%	0%	4%	0%	6%	4%

Digital transformation prompting expansion of some accounting and finance teams

Digital transformation is about using digital technologies — including data analytics, IoT devices, and AI and machine learning capabilities — to, among other things, create new business models, drive innovation and gain a competitive advantage. The complex process of digital transformation ultimately transforms businesses into digital enterprises. Global consulting firm Protiviti, a Robert Half subsidiary, says the process is so revolutionary that many organizations must undergo radical change programs, in some cases completely reinventing themselves in the process.[2]

Given how disruptive digital transformation can be, we decided to ask financial executives participating in this year's survey how the process affects accounting and finance staff levels. What we learned is that it's not a major influence on their hiring plans — yet. About half of firms in both countries said they expect to maintain current staffing levels. But 17 percent of organizations in the United States and 22 percent in Canada said they intend to expand their teams due to digital transformation (Figure 8).

Figure 8: Hiring Plans Related to Implementation of Digital Transformation, by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Expanding	18%	16%	22%	13%	22%	9%	17%	22%
Maintaining	56%	62%	57%	48%	44%	55%	59%	52%
Freezing	8%	11%	10%	17%	6%	9%	9%	10%
Reducing	2%	2%	6%	13%	13%	9%	3%	6%
Not sure	16%	9%	4%	9%	16%	18%	12%	10%

As the number of manual processes declines, core staff have more time to work on new initiatives. Therefore, as business demands change or rise due to digital transformation, many financial executives have the flexibility to put their best people on those projects. Support from interim and project professionals is also helping many accounting and finance teams absorb more work (for more on this topic, see Page 29).

[2] Catching the Digital Wave of Change, Protiviti, 2017: https://www.protiviti.com/US-en/insights/catching-digital-wave-change.

Executive Summary

Automation, Financial Systems and Digital Transformation

Workforce Management

Accounting Operations

Internal Controls and Compliance

Using Benchmarking Data and Insights to Drive Improvement

Research Methodology and Respondent Demographics

Acknowledgments

Calculate Your Staffing Needs with the Workforce Planning Tool

This year's survey also shines a light on how process automation, cloud computing, financial systems and digital transformation are converging to create demand for different skills in today's accounting and finance functions. For example, data analytics skills and experience with ERP systems are in high demand in many organizations (Figure 9).

Figure 9: Types of Skills Needed Due to Digital Transformation, by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Experience with data analytics	21%	18%	23%	16%	17%	19%	18%	20%
Knowledge of cloud-based systems	16%	7%	7%	11%	5%	13%	10%	8%
Experience with ERP systems	19%	18%	23%	19%	22%	31%	19%	21%
Knowledge of AI/ robotic process automation (RPA)	1%	24%	3%	6%	1%	6%	2%	2%
Strong communication skills	14%	11%	26%	25%	27%	19%	26%	28%
Creativity	7%	4%	13%	17%	16%	13%	12%	13%
None	7%	16%	2%	2%	3%	0%	4%	4%
Not applicable	14%	2%	3%	3%	8%	0%	9%	4%

Soft skills, like communication, are also valued highly in many organizations — often even more so than technical skills, such as data analytics (Figure 9). One reason: Accounting and finance professionals need a broader range of communication skills to work effectively with others across the organization because digital transformation efforts often require — as well as enable — extensive cross-departmental collaboration.

POINTS OF VIEW:
For Many Financial Leaders, the Digital Transformation Wave is Welcome — Even if They Aren't Yet Prepared to Ride It

Without question, reducing manual processes and adding new capabilities through automation, cloud computing and digital transformation help accounting and finance functions become more efficient, productive and capable of devoting more time to value-added projects for the business. Additionally, automation, cloud computing and digital transformation can help improve recruiting and retention by freeing accounting and finance employees to engage in work they find more interesting and meaningful while building new skills.

Financial leaders appreciate these upsides of digital trends, so it's not surprising that many of the executives we spoke with are eager to infuse more technology into their departments.

In fact, we found few financial leaders whose organizations weren't already automating at least a few processes, using some type of cloud solution, and looking at how to either implement or expand their use of data analytics — all moves toward digital transformation. Some executives whose organizations are a bit further behind the technology adoption curve expressed impatience, and even regret, that automation, cloud computing and digital transformation are not yet implemented in full force in their organization.

But of course, these technological shifts don't happen with a simple snap of the fingers. Evaluating solutions, aligning budgets, and then implementing the technologies and training staff to use them all take time — of which many resource-strapped accounting and finance functions and their leaders have little to spare. Also, despite eagerness to automate, embrace the cloud and realize the potential benefits of digital transformation, most financial executives we interviewed are cautious about moving too fast.

"What is the cost in relation to the potential benefits?" said Kenneth Kirk, CFO of Sepro Mineral Systems Corp. in Langley, British Columbia. "I'm finding sometimes that the cost is pretty high because some automation software is a bit pricey. And a lot of solutions are overkill. They look nice but aren't practical. Vendors often make these solutions look a lot easier to operate than they are."

That said, Kirk is an advocate for automation and broader use of data analytics and business intelligence in his organization. "We want to automate as much as we can," he said. "We want to have a single-source data point that feeds information to those who need it and lets them work with it directly instead of requiring others to extract data and develop a report."

Rand Smale, CFO of Wood's Homes in Calgary, Alberta, a nonprofit healthcare provider, said automating more processes in his department is one of his top priorities as a financial leader. "I want automation to help us become even more efficient in the future and better at delivering service to our customers, who are the managers throughout our organization," he said. "This is an area that I'm focusing most of my time on right now."

Looking for self-serve options — and waiting for IT support

Dave Sackett, senior director of finance and administration at manufacturing firm ULVAC Technologies, Inc., in Methuen, Massachusetts, imagines a future of self-serve data analytics and business intelligence in his organization. He said he'd like that to happen sooner than later because he wants to encourage business owners to take the lead on more data projects.

"We have a business intelligence tool that we use for ad hoc reporting in our database," he explained. "People are coming to us all the time with requests that go beyond our standard analytics for finance. They'll say, 'Hey, I want to see how many customers are buying this product and how often,' or 'What's our capture rate in terms of converting prospects to customers?'"

He continued, "My goal is to teach people at my company to run these business analytics themselves. The technology is still new for us, and most users are hesitant to learn it. As the owners of financial information, we have to set the parameters for using the data before we can give others the tools to work with it."

Joyce Purdy, CFO at Siltronic Corporation, the Portland, Oregon, subsidiary of Siltronic AG, a silicon wafer manufacturer, said her accounting and finance staff are taking the lead to make automation and digital transformation happen in their organization. "The IT resources in our company are focused primarily on our manufacturing floor," Purdy explained. "The timeline for what we'd like to achieve with technology and the IT support needed to make it happen may not align. IT assists, but there are many things we need to do on our own — or to bring in outside resources to help with."

Purdy and her team are succeeding, though, in reducing their manual processes, including for A/P and A/R. "We don't cut checks anymore," Purdy said. "We do automated clearinghouse (ACH) payment runs. We also have scanning technology to make deposits remotely, so no one has to run to the bank."

She added: "Change is an incremental process. We automate one thing, and then we look for what else we can automate."

Executive Summary

Automation, Financial Systems and Digital Transformation

Workforce Management

Accounting Operations

Internal Controls and Compliance

Using Benchmarking Data and Insights to Drive Improvement

Research Methodology and Respondent Demographics

Acknowledgments

Calculate Your Staffing Needs with the Workforce Planning Tool

First, define the business case

Jim Froisland, who holds the dual role of CFO and chief information officer at tire manufacturer Titan International, based in Quincy, Illinois, said his organization is still in the early stages of automating processes as a step toward digital transformation. But he added that he knows the path his firm needs to take with every technology investment and recommends other businesses use the same approach.

"You need to pick the right technology, of course, but before you do that, you need to define the business case and get the right resources behind it," Froisland said. "I worked at a company where the CEO decided to invest in an ERP system based on a recommendation from another CEO. But the solution was the wrong fit for the business, and the company ended up spending a lot of money to fix it.

"You must start digital projects the other way around," Froisland said. "Define your business needs. Then, get the right skill sets. And then, get the right technology."

Annie Ropar, CFO for Aequitas NEO Exchange, Inc., a Canadian stock exchange headquartered in Toronto, agrees that making the business case for automation and digital transformation is a critical first step toward successful change. "Everyone needs to be organized and focused on the same vision to actually automate," she said, adding that she's found the responsibility for setting that vision often rests with financial leadership in the organization.

"Sometimes financial leaders have to be the ones to push the buttons for digital change," Ropar said. "They need to ask, 'Why are we doing these things this way? And what is the business case for that?' Those types of questions lead to creating a business case for driving automation."

Still, even with a solid business case and clear vision behind it, technology-related change takes time. "I think some of my biggest challenges right now as a financial leader relate to IT systems," said Bob Hill, CFO of Blue Goose Pure Foods in Toronto. "Namely, the need to implement leading-edge technology to provide quality financial information on a timely basis to facilitate decision making."

The challenge within that challenge, according to Hill, is moving both swiftly and carefully when bringing new technology into the organization. "When you start to go down the technology path, everyone wants things done yesterday. Organizations are under pressure to move fast and often lack the patience to implement technology properly. The result is that they make mistakes and spend double the time trying to fix them after the fact. It's important to be realistic about your timeline for change and the scope of what you want to achieve."

Executives cite reduced costs, scalability and flexibility as key benefits of cloud use

The financial executives interviewed for this year's benchmarking survey cited few, if any, reservations about using cloud technology — a notable change from our previous reports. In fact, many financial leaders, like Ropar, were quick to point to the cloud's current and potential benefits for their organizations. "I'm a big fan of cloud-based computing just because of the reduced cost on our internal infrastructure side," says Ropar. "And as our business grows — we are already processing thousands of transactions a day — our data storage requirements will become massive. A cloud solution will help us to scale."

Smale said Wood's Homes is seeing two distinct payoffs from adopting cloud processes in its accounting and finance functions, including payroll. "First, we don't need to run as much equipment now that we've moved to the cloud, which means we don't need as much IT support," he said. "We can provide employees a self-serve option for tasks like time tracking, which would be much more resource intensive if we were trying to manage those updates manually."

At Sepro Mineral Systems Corp., accounting and finance staff have been using cloud-based tools for nearly a decade, according to Kirk. He said working in the cloud is a lot more comfortable than having to worry about managing internal technology systems.

"The cloud just works," he said. "You don't need to worry, 'Do I need extra power to run this? Do I need this or that?' The only time we seem to have a problem is with our own software, and then we just need to work with our third-party cloud provider to find a fix."

When asked if his department plans to expand the use of cloud services in the future, Kirk replied, "Absolutely yes."

TAKEAWAYS

- Automation, once in motion, appears to create a positive domino effect in many accounting and finance functions. As the business starts to automate processes, teams are inspired to search for more automation opportunities. They also start to see the vision for a more extensive scope of change in their organization: digital transformation.
- Flexibility, scalability and cost savings are among the key benefits that accounting and finance functions are seeing, or hope to realize, from their cloud-based solutions. Some financial leaders said they would like to expand their use of cloud computing wherever possible — and, ideally, as soon as possible.

WORKFORCE MANAGEMENT

KEY DATA FINDINGS

- U.S. and Canadian companies that engage interim professionals assign them primarily to three functional areas: A/P, A/R and general accounting.
- Payroll and tax remain top areas for outsourcing for U.S. and Canadian companies. Canadian firms are increasing their use of outsourcing in areas such as international accounting.
- Accounting and finance managers in the United States work an average of 46 hours per week, down from 47 hours in our previous survey. Canadian accounting and finance managers are devoting 43 hours per week to their jobs, on average, down from 45 hours last year.
- Organizations of all sizes in the United States and Canada report they are increasing their use of temporary or project professionals.

DISCUSSION AND ANALYSIS

Median staff sizes growing significantly at larger firms

The median number of internal employees (including the CFO) in accounting and finance functions varies widely by company size (Figure 10). For the smallest firms (less than $25 million in revenue), it is three, compared to a median of 180 at the largest companies ($5 billion or more in revenue).

Executive Summary

Automation, Financial Systems and Digital Transformation

Workforce Management

Accounting Operations

Internal Controls and Compliance

Using Benchmarking Data and Insights to Drive Improvement

Research Methodology and Respondent Demographics

Acknowledgments

Calculate Your Staffing Needs with the Workforce Planning Tool

Figure 10: Number of Internal Staff in Accounting and Finance Functions, by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Bottom quartile	2	5	8	11	38	117	3	4
Median	3	7	16	28	73	180	6	8
Top quartile	5	10	25	53	171	475	12	22

Business growth and expansion, including through mergers and acquisitions, may be at the root of some recent staff size increases for larger organizations in our survey. Also, as noted on Page 17, some companies are expanding their accounting and finance teams due to digital transformation — for example, through the addition of staff who have specialized skills, like data analytics.

Most smaller companies, on the other hand, are not increasing their staff sizes. They appear to be doing more with fewer resources either by choice or necessity — or, in many cases, both. The median number of employees for accounting and finance organizations in the United States and Canada with less than $1 billion in revenue either stayed the same or declined slightly from last year — a trend similar to what we observed from 2016 to 2017. Talent recruiting challenges, accelerating baby boomer retirements, adoption of automation and cloud computing solutions, and the increased use of interim and project professionals are all likely factors contributing to accounting and finance staff at smaller companies.

Median employment-related costs continue to hold steady

For the fourth consecutive year, the median employment-related cost — defined as base salary, bonuses and benefits — of internal accounting and finance staff as a percentage of revenue was unchanged for U.S. organizations: 2 percent. Canada saw a very slight year-over-year decline in this figure, from 2.65 percent to 2.5 percent (Figure 11).

Figure 11: Cost of Internal Staff for Accounting and Finance Functions as a Percentage of Revenue, by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Bottom quartile	1.60%	1.00%	0.50%	0.27%	0.60%	0.50%	1.00%	1.00%
Median	3.00%	1.50%	1.00%	0.40%	1.00%	0.80%	2.00%	2.50%
Top quartile	5.00%	3.00%	3.00%	1.00%	3.00%	2.00%	4.00%	3.00%

Executive Summary

Automation, Financial Systems and Digital Transformation

Workforce Management

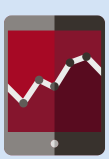
Accounting Operations

Internal Controls and Compliance

Using Benchmarking Data and Insights to Drive Improvement

Research Methodology and Respondent Demographics

Acknowledgments



Calculate Your Staffing Needs with the Workforce Planning Tool

Looking at findings by company size, we found many firms had reduced their costs since 2017. In fact, after trending up in the previous survey, the median of employment-related costs for larger companies ($500 million or more in revenue) decreased significantly over the past year — from 3 percent to 0.8 percent. The smallest firms (less than $25 million in revenue) and midsize firms ($100 million to $499 million in revenue) saw no change in costs.

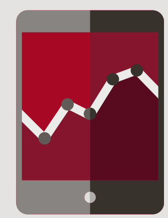
Most businesses report adequate staffing levels in accounting and finance functions

Last year, we examined staffing levels for the first time and found that most U.S. and Canadian companies were somewhat understaffed in their accounting and finance functions. This year, most financial leaders in North America categorized their departments as either adequately staffed or just slightly understaffed (Figure 12). Productivity and efficiency gains due to process automation and cloud computing, and increased use of interim and project professionals when needed (Page 29), are likely helping financial leaders use their staff more effectively.

Figure 12: How Accounting and Finance Departments Are Staffed, by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Severely overstaffed	1%	0%	1%	0%	0%	0%	1%	0%
Somewhat overstaffed	6%	3%	5%	8%	6%	8%	5%	7%
Adequately staffed	54%	58%	48%	58%	49%	54%	54%	57%
Somewhat understaffed	35%	36%	41%	33%	43%	31%	37%	32%
Severely understaffed	5%	3%	5%	0%	3%	8%	4%	4%

ACCOUNTING AND FINANCE WORKFORCE PLANNING TOOL



See how your staffing levels compare

Are you ready for the future? Compare the size and makeup of your accounting and finance team with those of organizations similar to yours — in five easy steps.

Your personalized results can help you:

- Identify workforce gaps
- Collaborate with HR for workforce planning
- Optimize workloads
- Develop an organizational roadmap
- Achieve your business goals

Get ready for the future today with the Accounting and Finance Workforce Planning Tool. **TRY THE TOOL**

There is a slight increase this year, 4 percentage points in both the United States and Canada, in the number of respondents reporting that their organizations are severely understaffed. The highest percentage of respondents reporting challenges with severe understaffing (8 percent) are in the largest organizations ($5 billion or more in revenue). However, most respondents representing these firms (54 percent) said their accounting and finance functions are staffed adequately.

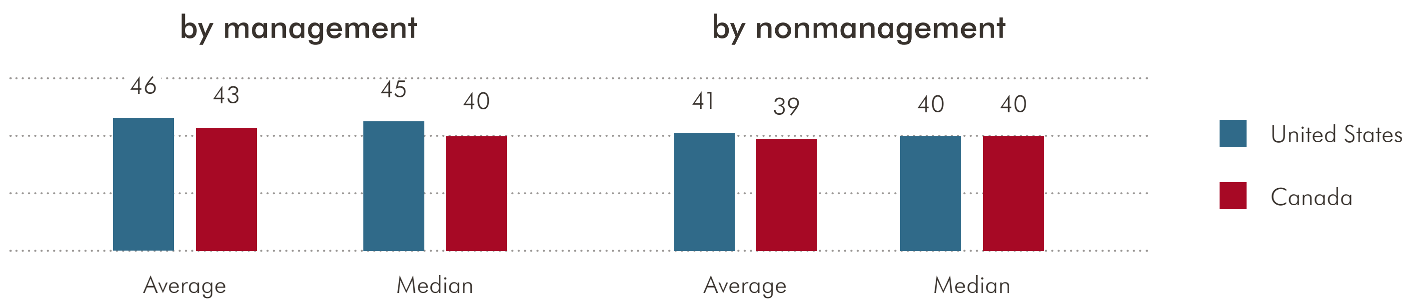
Canadian financial leaders see significant decline in standard work hours median

Accounting and finance managers in the United States work an average of 46 hours per week, down slightly from 47 hours in our previous survey (Figure 13). The median number, 45 hours, is unchanged. In Canada, both the average and median work hours declined from 2017 — the latter significantly so. Canadian accounting and finance managers are devoting 43 hours per week to their jobs, on average, down from 45 hours last year. Median work hours have decreased from 45 hours to 40.

These findings erase the slight uptick in hours for both U.S. and Canadian accounting and finance managers observed in last year's survey. Here again, the combination of increased automation and cloud use, and the growing reliance on interim professionals and outsourcing, may be helping financial leaders and their teams to keep pace with intensifying business and compliance demands.

Standard work hours, both average and median, for nonmanagement staff in the United States and Canada are unchanged from our 2017 survey (Figure 13).

FIGURE 13: STANDARD WEEKLY HOURS WORKED



Payroll and tax remain top areas for outsourcing

For years, payroll and tax have been two functions that businesses have found easier to outsource because the two require specialized skills. Once again, we see that trend in play, with many U.S. businesses slightly increasing their use of outsourcing in these and other areas. The percentage of Canadian firms outsourcing their payroll function (28 percent) is up 6 points from last year's survey (Figure 14). Also, Canadian firms are now using outsourcing more for international accounting needs — 13 percent, compared to just 1 percent in 2017.

Figure 14: Outsourced Functions, by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
A/P	1%	2%	2%	3%	2%	11%	2%	1%
A/R	1%	2%	2%	0%	2%	5%	1%	1%
Budget and analysis	1%	1%	0%	0%	0%	0%	0%	1%
Compliance	1%	3%	5%	3%	2%	16%	2%	1%
Cost accounting	1%	0%	2%	0%	0%	0%	0%	2%
Credit and collections	2%	4%	3%	0%	5%	0%	2%	1%
Finance	1%	0%	0%	0%	0%	5%	0%	1%
Financial reporting	3%	1%	0%	0%	0%	0%	1%	1%
General accounting	2%	0%	2%	0%	0%	5%	1%	6%
Internal audit	6%	7%	9%	10%	17%	5%	7%	1%
International accounting	0%	2%	3%	0%	2%	0%	1%	13%
Payroll	25%	24%	22%	10%	17%	16%	22%	28%
Tax	31%	46%	40%	31%	15%	5%	32%	1%
Treasury	1%	1%	2%	3%	5%	0%	1%	2%
Other	3%	3%	5%	3%	2%	16%	3%	1%
None	23%	3%	5%	34%	29%	17%	24%	38%

Executive Summary

Automation, Financial Systems and Digital Transformation

Workforce Management

Accounting Operations

Internal Controls and Compliance

Using Benchmarking Data and Insights to Drive Improvement

Research Methodology and Respondent Demographics

Acknowledgments

Calculate Your Staffing Needs with the Workforce Planning Tool

Use of interim professionals on the rise

Finance and accounting organizations of all sizes in the United States and Canada are increasing their use of temporary or project professionals. Factors driving this trend include the need to meet new revenue recognition and lease accounting standards and projects related to digital transformation efforts. Businesses often need to bring certain skills in-house only for a finite period, or to provide extra support when core teams need to focus on critical projects, and this approach makes these new initiatives more cost-effective and smoother to implement.

In the United States, one-third of respondents report their organizations use interim staff, up from 28 percent last year. And 41 percent of Canadian respondents said their firms rely on temporary or project professionals, up nine points from 2017 (Figure 15).

Figure 15: Use of Temporary or Project Professionals, by Company Size and Location

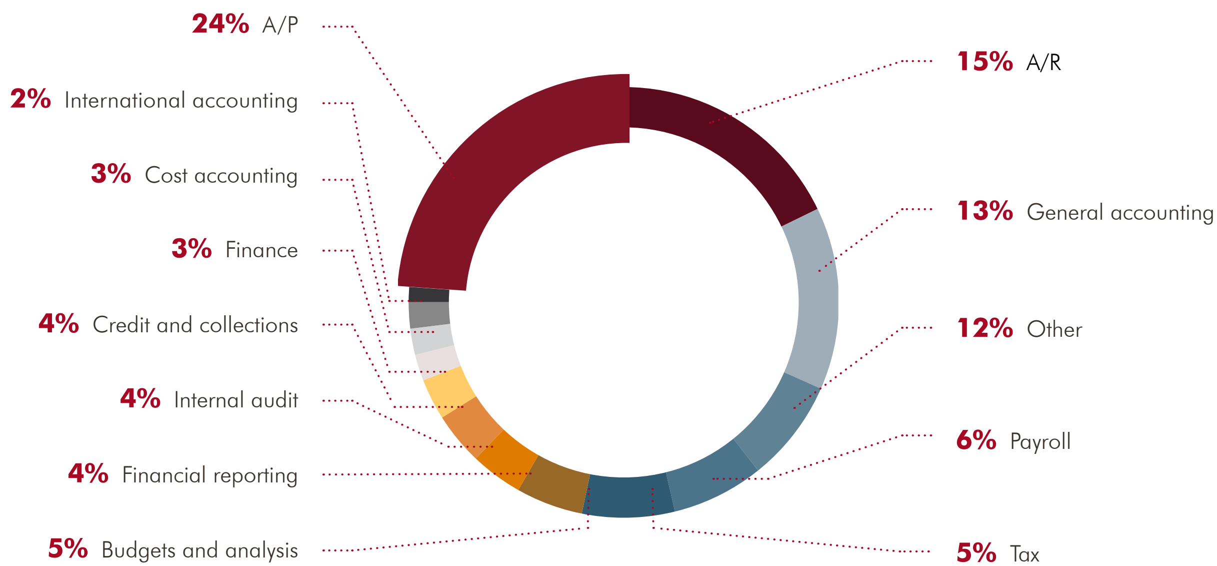
	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Yes	26%	29%	46%	48%	69%	86%	33%	41%
No	74%	71%	54%	52%	31%	14%	67%	59%

Companies are engaging temporary or project professionals to staff up and down quickly to meet changing business demands or for projects where a specialized skill set is needed but not available internally. For example, as accounting and finance functions have worked to implement revenue recognition and lease accounting standards, many have brought interim resources into their departments for extra support, either to lend expertise in those areas or to take on everyday tasks while full-time staff members focus on standards adoption.

The functional areas where temporary or project professionals are needed most are A/P, A/R and general accounting (Figure 16). These findings align with those in our previous survey. However, there were slight declines, compared to last year, in areas such as payroll and tax.

There was also a five-point increase in the "other" category from last year's survey, from 7 percent to 12 percent. That could reflect firms' use of interim professionals with specialized skills for initiatives such as business intelligence and data analytics-related projects.

FIGURE 16: ACCOUNTING AND FINANCE FUNCTIONS STAFFED BY TEMPORARY OR PROJECT PROFESSIONALS



POINTS OF VIEW:
Hiring and Developing Talent with an Eye Toward the Future

Future-focused financial leaders need to ensure they have access to the right capabilities at a time when required skills for many roles are changing.

Automation, cloud computing and digital transformation are creating the need for new skill sets, like data analytics abilities and knowledge of cloud-based systems, in accounting and finance functions (see Page 18). And, somewhat ironically, technological change is also making it more important for accounting and finance professionals to have a solid array of soft skills, including communication abilities, since digital initiatives require intensive collaboration, often across departments.

Winnie Leung, CFO for payment processor Moneris, based in Toronto, said digital transformation efforts in her organization have her rethinking her staff's professional development needs — especially for employees who aspire to leadership roles. "They need to learn the business and have more exposure to operations," she said. "They also need to broaden their knowledge and build skills that will help them advance in their careers. Leadership, communication and presentation skills are especially important."

As for technical expertise, Leung said she now looks for analytical skill sets in all new accounting and finance hires. "As we continue to look for automation opportunities and streamline processes, the need for doing data entry will lessen over time, and our employees will be using different skills as they perform more analytical tasks," she said. "We want people who can analyze the numbers, think about what those numbers mean, and then explain how the business can use that information to make better business decisions."

Executive Summary

Automation, Financial Systems and Digital Transformation

Workforce Management

Accounting Operations

Internal Controls and Compliance

Using Benchmarking Data and Insights to Drive Improvement

Research Methodology and Respondent Demographics

Acknowledgments

Calculate Your Staffing Needs with the Workforce Planning Tool

Paying it forward through professional development

Leung said financial leaders must recognize that professionals who want to advance in their careers will look for opportunities outside their current companies to broaden their knowledge. It's a reality that top talent, especially individuals who are still in the early stages of their careers, may want to move on, she said.

"Certainly, I don't want our people to leave, but I still think it's important to equip employees with skills they can take with them and continue to grow, and show that we care about their career development," Leung explained. She added that the return on that investment, hopefully, is that those valued employees will someday return to or recommend the company as a good employer to other high-potential professionals.

Floribel Duran, a payroll and human resources manager for security company AvantGuard Monitoring Centers in Salt Lake City, Utah, has a similar view about paying it forward — helping staff to achieve their professional goals, even if they don't end up staying with the business over the long term. She said she helps her team members who are eyeing advancement to connect with top management who can enhance their professional development.

"They learn as much as they can from the controller and CFO, so they are ready to move on and do something bigger and better," she said. "If we can't provide them an opportunity for advancement within the company, we're at least giving them the knowledge to go somewhere else and better themselves."

Setting stretch goals and encouraging self-directed learning

Keeping teams motivated and engaged requires financial leaders to apply a wide range of strategies, including proven best practices. Bob Hill of Blue Goose Pure Foods, for example, said he works with his top performers and emerging leaders to set stretch goals and doesn't tie achievement of those objectives to financial rewards.

"I set things up so that employees essentially have permission not to hit their stretch target," said Hill. "They are then more comfortable setting a stretch goal. They recognize that they don't necessarily have to hit that objective to be successful. And, interestingly, I've found that they hit the goal anyway."

Hill also said he believes applied learning is better than pure in-classroom training for developing top talent. He explained, "I think applied learning, where you have a mixture of in-class learning and on-the-job application, is more effective for developing high-potential employees. It takes time, and it costs money, but I've found it's an extremely successful approach."

"We provide training opportunities for our staff to ensure they have the skills they need for their current jobs," said Joan Cox, CFO of educational nonprofit Head Start of Greater Dallas. "But I also encourage my staff to identify other training that will help them develop professionally — for example, a course to improve their speaking or writing skills, or to learn more about business, generally."

Moving fast and making changes to secure top talent

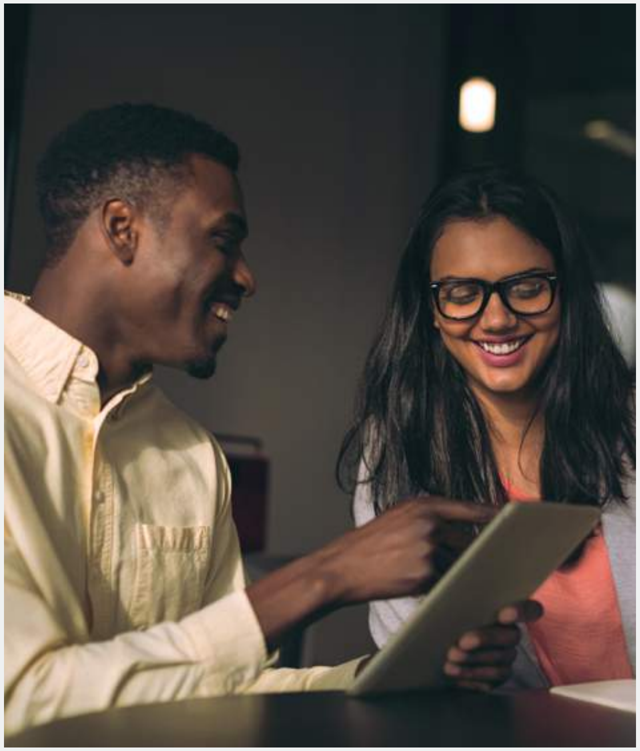
To better recruit and retain in-demand professionals, several financial executives said they are making a point to promote work-life balance.

Kenneth Kirk with Sepro Mineral Systems Corp., for instance, said these efforts resonate with millennial professionals, especially. "We're finding that work-life balance and scheduling flexibility are increasingly important to everyone in our business, but we have had to make some big changes in our normal, day-to-day environment to secure millennial talent," he said.

"One person I hired recently, who is doing a brilliant job, wanted to work in the office only three days a week. That set a precedent and was tough to accommodate in a business that runs 24/7," Kirk said. "But we needed to do it because we had an urgent need to fill the position and we were lucky enough to find the right person. So, to meet that need, we had to be flexible."

Hill pointed to speed-to-hire as a key to attracting the best people in the current employment market but also warned that moving too fast can work against making sound hiring decisions. "You can't move so fast that you compromise the screening process," he said. "There is no point in bringing somebody on board only to find out later that the person doesn't have the skill set that you need."

Hill's view is that hiring the right person runs two ways — that it's important to ensure new hires feel they are making the right choice as well. "And it's not all about money," he added. "You need to learn what's important to people, and that can differ from generation to generation. But when you do take time to understand potential hires' priorities, you can then structure a targeted offer that will meet their needs."



Calculate Your Staffing Needs with the Workforce Planning Tool

THE CHALLENGES AND OPPORTUNITIES OF MANAGING A MULTIGENERATIONAL TEAM

Several of the financial leaders we interviewed for the Benchmarking Accounting and Finance Functions: 2018 report cited multigenerational team management as one of their most significant workforce management challenges. Here are tips that can help:

Customize your style: When interacting with your staff members one-on-one, try to adapt your management — and communication — style to suit each person's strengths, personality and aspirations.

Share the big picture: All employees need to know how they make a difference. Staff meetings, performance reviews and regular check-ins provide opportunities for managers to communicate how individual employees' contributions benefit the business's bottom line.

Break down generational silos: When structuring project teams, bring together staff members from different generations who have complementary skills and diverse perspectives. Also, consider hosting off-site team-building events to give employees a chance to get to know each other in an environment outside of work.

Explore different types of mentoring arrangements: Two-way mentoring, as an example, is a dynamic mentoring process that gives all team members, regardless of their level of experience or title, the opportunity to discuss how to accomplish goals and solve problems. Reverse mentoring relationships are another strategy for helping members of different age demographics communicate, collaborate and build rapport.

Even though there are differences, baby boomer, Gen X, Gen Y and Gen Z professionals have much in common. They all want to have satisfying careers, the opportunity to reach their full potential, the ability to maintain work-life balance and to be compensated appropriately for their contributions. Keeping those basic needs and aspirations in focus will help you manage all workers effectively.

For more insights, see Creating a Leadership Pipeline: Developing the Millennial Generation Into Finance Leaders, from Robert Half, FERF and Michael S. Seaver.

Calculate Your Staffing Needs with the Workforce Planning Tool

Aligning resources for additional support

The process of finding and vetting skilled talent for accounting and finance functions takes time, which is something most financial executives can't spare. That's why Joyce Purdy, CFO at Siltronic Corp., who is the primary hiring manager for her team, takes a two-pronged approach to building a talent pipeline.

First, she maintains an internship program and looks to local colleges and universities for promising talent. "I conduct on-campus interviews and bring in people I think could work for us in the future," she said. "Even when we don't have any job openings, I keep track of potential hires. So when an opportunity arises, I know who to talk to."

For full-time roles that require more experience, Purdy said she looks to external recruiters for help. "We need them to be that first filter for talent," she said. "That helps us avoid getting applicants who don't have the right skills." Staffing specialists also help Purdy align interim professionals to support her core staff while the latter are working on special projects.

For some accounting and finance leaders, outsourcing is the answer to reducing workloads for the core team and ensuring they have access to specialized skills for functions such as tax and compliance. As an example, Joan Cox, CFO for Head Start of Greater Dallas, said she expects the new lease accounting standard will drive a need for outsourcing because her department does not have the skills or time to address the standard's complex layers.

Outsourcing tasks such as payroll, stock compensation and management reporting is helping the leanly staffed accounting and finance teams at mining and exploration company Ur-Energy USA to stay nimble. Controller Chuck Laursen said, "Efficiency was our top motivation to outsource. We could probably bring payroll in-house, but it's easier and more cost-efficient to use a service. As far as more complex things, like stock compensation, we can't easily handle those accurately on our own."

Dave Sackett of ULVAC Technologies, Inc., said his organization relies on outsourcing for payroll tax reporting because it wants to avoid the potential for costly errors. "There are no small mistakes in tax," he said. "And as tax rules change, you need to have someone dedicated to staying on top of those changes. We don't have a person internally who can do that on a consistent basis. If our employee made a huge mistake, that mistake would be on us."

TAKEAWAYS

- Financial executives want to hire professionals who have a strong mix of technical and nontechnical abilities. Data analytics and critical thinking skills are coveted in many organizations today, for example. So, too, are communication and collaboration abilities, since many digital projects involving the accounting and finance teams require staff members to work closely with a wide range of people throughout the business.

- To recruit and retain top talent, financial leaders are taking more time to understand what professionals want from their careers and the company, as well as what is important to them personally — for example, better work-life balance.

- Organizations of all sizes continue to rely on interim staff and project professionals to supply specialized skills and provide relief to core teams when workload demands rise. Outsourcing is also an important strategy for many financial executives who either don't want to burden their core teams with routine tasks or who need to tap outside expertise for critical and complex functions.

Calculate Your Staffing Needs with the Workforce Planning Tool

ACCOUNTING OPERATIONS

KEY DATA FINDINGS

- Research for this year's benchmarking survey finds that 91 percent of organizations in the United States and 93 percent in Canada reconcile 500 general ledger (GL) accounts or fewer at least quarterly. Those figures are consistent with our 2017 survey.
- More than half of the firms in the United States and Canada rely on manual processes for accounts reconciliation, but those percentages are decreasing. For example, a growing number of firms in North America report they are now using internally developed tools or systems.
- There was no change observed, year over year, in the average number of working days organizations need to close their books on an annual, quarterly or monthly basis. U.S. companies require 23 working days on average for their annual close; Canadian firms report they need 24 days on average for this process.

DISCUSSION AND ANALYSIS

Number of GL Accounts Shifts Back to Downward Trend

The number of active GL accounts at companies throughout North America is trending down slightly. That pattern follows an uptick in the number of GL accounts we observed in last year's survey, which, at the time, reversed a steady four-year move downward.

The largest percentages of companies in both the United States and Canada report that they have between 100 and 500 GL accounts (Figure 17). The number of GL accounts is largely consistent year over year across companies of different sizes. The largest companies ($5 billion or more in revenue) are seeing a notable decline in their overall number of GL accounts. That is likely due to process automation increasing efficiency in their accounting and finance functions and improving their ability to consolidate accounts. Thirty-one percent of these large firms now report they have fewer than 100 active GL accounts, whereas last year that percentage was zero.

Figure 17: Number of Active GL Accounts, by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Less than 100	36%	17%	11%	4%	3%	31%	25%	20%
100–500	48%	49%	51%	50%	29%	15%	48%	45%
501–1,000	10%	20%	15%	17%	19%	15%	14%	18%
1,001–3,000	5%	10%	15%	21%	29%	15%	9%	13%
3,001–5,000	0%	1%	5%	4%	3%	0%	1%	2%
5,001–10,000	1%	1%	1%	4%	3%	8%	1%	1%
More than 10,000	0%	2%	2%	0%	13%	15%	2%	2%

We saw a notable exception, however, in firms with $1 billion to $4.9 billion in revenue: The percentage of those reporting more than 10,000 GL accounts has increased significantly year over year, from 3 percent in 2017 to 13 percent in this year's survey. The expansion in GL accounts may be tied to recent mergers and acquisition activity by these firms.

Automation likely helping many firms reconcile accounts faster

Research for this year's benchmarking survey reveals that 91 percent of organizations in the United States and 93 percent in Canada reconcile 500 accounts or fewer at least quarterly (Figure 18). Those figures are consistent with our 2017 survey findings.

Figure 18: GL Accounts Reconciled at Least Quarterly, by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Less than 100	73%	62%	50%	22%	16%	31%	62%	61%
100-500	23%	29%	37%	52%	42%	15%	29%	32%
501–1,000	2%	7%	8%	22%	19%	8%	6%	4%
1,001–3,000	1%	2%	4%	4%	13%	8%	2%	3%
3,001–5,000	0%	0%	0%	0%	3%	8%	0%	0%
5,001–10,000	0%	0%	0%	0%	6%	0%	1%	1%
More than 10,000	0%	0%	1%	0%	0%	31%	1%	0%

Most companies in North America are reconciling between 100 and 500 accounts quarterly. Here again, dating back to 2017, increased efficiency due to automation of manual processes in accounting and finance functions may be helping these organizations eliminate more accounts.

The impact of automation is especially evident among the largest organizations ($5 billion or more in revenue). This year, 31 percent of those firms report they are reconciling more than 10,000 accounts on a quarterly basis. Last year, only 17 percent were hitting that mark.

More firms starting to shift away from manual tools for account reconciliation

While technology is helping businesses to work more efficiently overall, one area that many firms have been slow to modernize is the accounts reconciliation process. Fifty-five percent of U.S. financial executives and 58 percent of Canadian respondents said their reconciliation process is manual (Figure 19).

However, things are changing: Last year, those percentages were 58 percent and 66 percent, respectively. Also, similar to findings from our previous survey, we are seeing a growing number of firms using internally developed tools or systems to handle reconciliations. The largest increase was among Canadian firms. Last year, 19 percent reported using such tools; this year, 27 percent say they are relying on solutions developed internally (Figure 19).

Figure 19: Tool or System Used for Account Reconciliations, by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Developed internally	21%	21%	26%	22%	26%	23%	22%	27%
Third-party software	24%	20%	16%	17%	26%	54%	23%	15%
Manually reconcile/do not use a tool or system	55%	58%	58%	61%	48%	23%	55%	58%

Variety of factors affecting time required to close the books

There was no change observed, year over year, in the average number of working days organizations need to close their books on an annual, quarterly or monthly basis. U.S. companies require 23 working days on average for their annual close. Canadian firms report they need 24 working days on average for this process (Figure 20).

FIGURE 20A: WORKING DAYS IT TYPICALLY TAKES TO CLOSE THE BOOKS (AVERAGE), BY COUNTRY

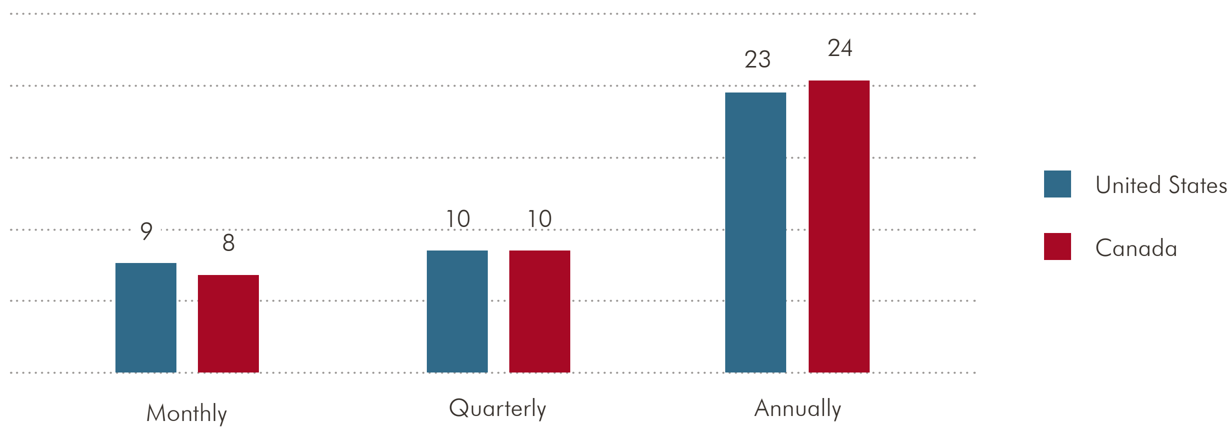
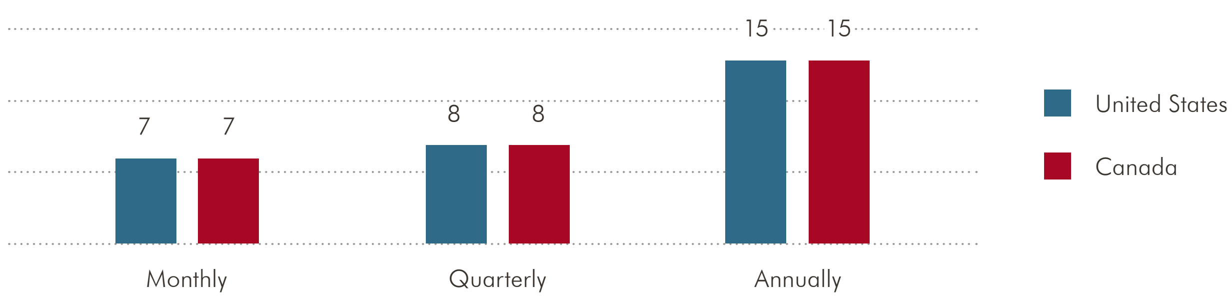
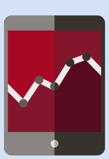


FIGURE 20B: WORKING DAYS IT TYPICALLY TAKES TO CLOSE THE BOOKS (MEDIAN), BY COUNTRY



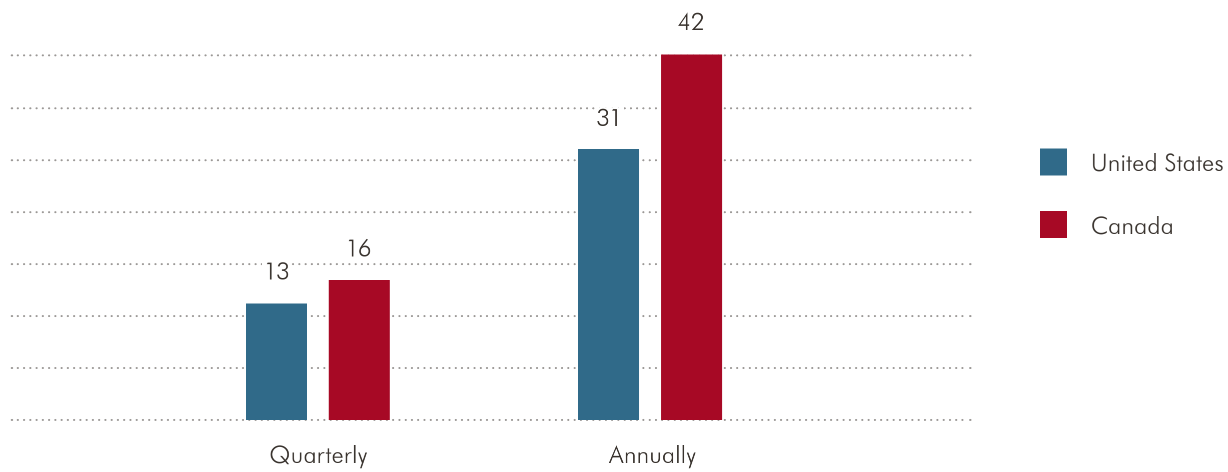


Calculate Your Staffing Needs with the Workforce Planning Tool

Prior to this survey, we had observed an overall decline over the past several years in the amount of time most organizations needed to close their books. Demands related to the new revenue recognition and lease accounting standards may be a factor for the trend stalling this year; however, at the same time, automation of manual processes and use of other technology solutions may be helping many firms to meet these challenges without increasing the time they need to close the books.

U.S. companies say they require an average of 31 working days annually to report financial results and Canadian firms say they need 42 working days annually, on average (Figure 21). That finding aligns with last year's survey results.

FIGURE 21: WORKING DAYS IT TYPICALLY TAKES TO REPORT FINANCIAL RESULTS (AVERAGE), BY COUNTRY



POINTS OF VIEW:
Many Firms Looking to Automation to Help Accelerate Closing, Financial Reporting and Account Reconciliation Processes

Reducing the amount of time needed to complete the closing process, produce financial statements and reconcile accounts is always a top priority for financial executives. Increasingly, we see automation helping businesses reduce time devoted to those processes.

However, while technology can help accounting and finance functions save time, other dynamics, such as rising compliance demands, can still work to undermine their efficiency. The teams at manufacturing firm Siltronic Corp. know that well, according to CFO Joyce Purdy.

“Our company went public in 2015, and it seems like compliance requirements are just ratcheting up all the time now, adding to the time it takes to close our books,” she said. “We had brought our close down to two days on nonquarter ends and three days on quarter ends. But lately, we’ve been stretching to four or five days on a quarter end. The main reason is the additional reporting requirements we face.”

As for financial statements, specialized skills need to be developed to understand the requirements. “Only a few of us have the requisite skill set to produce financial statements,” she said. “So it’s easy for this process to get delayed when there are competing operational priorities. I wouldn’t say that our timeline for this process is stretching, but I don’t see a lot of opportunity for shortening it.”

Fast growth and lack of the right tools can extend processes

Major business changes, such as a merger or acquisition, can also work against accounting and finance functions’ efforts to be timely when closing the books. Bob Hill, CFO of Blue Goose Pure Foods, said the company’s recent acquisition of a family-owned business that relied on manual accounting and finance processes created challenges for his team. His accounting department software at the time had limitations in Blue Goose’s acquisition.

“We weren’t able to hit our usual five-day mark for the closing process,” Hill said. “It was stretching out to seven or eight days which, to me, is just too long. We were struggling to get closer to five days because we’d grown so fast and lacked the systems to support us.” He added that the company is now considering new technology investments, such as an ERP solution, but likely won’t implement anything until post-acquisition operations smooth out.

At manufacturing firm ULVAC Technologies, Inc., growth has been steady rather than sudden and disruptive, allowing Dave Sackett, senior director of finance and administration, and his team to absorb new work at a reasonable pace. “We are automating our accounting data entry,” said Sackett, adding that he decided to focus on this and the accounts reconciliation process because he knows sudden growth is possible.

“The solution we implemented works great,” said Sackett. “Take my work in progress [WIP], for example. I have none of the chaos I’d sometimes have before, with journal entries in and out, accruals, and moving amounts from here to there. Now, the process is strictly work order-based, so the only transactions allowed in WIP are from work orders. Things are either issued or unissued to a work order, and this process creates a WIP subledger. The WIP subledger now automatically ties to the GL total. Now I can keep track of what my real WIP balance is in real time."

Rand Smale of Wood's Homes said automating the reconciliation process could not only make the closing process more efficient, but also could free his core team to focus on other activities that could contribute to the company's bottom line. "Accounts reconciliation takes a lot of time, and I could use the people working on that process in more high-value areas," he said.

A bigger drag on accounting operations at Wood's Homes is budgeting, according to Smale. "That has been our top challenge," he said. "Our company is somewhat complex because we're a not-for-profit with many different funders and funding arrangements. We must budget or prepare financial statements for each funder in the category that they're funding. Our base accounting system has been handling it adequately, but we're now upgrading to new budgeting software that we hope will help us handle the process even more efficiently."

TAKEAWAYS

- Increased automation of processes and the use of other technologies that drive efficiency may be helping firms keep book-close and financial reporting time frames in line with industry benchmarks. This comes at a time when these organizations must work to meet new demands, like increasing compliance requirements (see next section), or major change initiatives, such as mergers or acquisitions.

- Automating manual and time-consuming accounting and finance processes like accounts reconciliation frees teams to work on more value-added projects for the business.

INTERNAL CONTROLS AND COMPLIANCE

KEY DATA FINDINGS

- The finance function is primarily responsible for overall effectiveness of internal control over financial reporting (ICFR) in most U.S. and Canadian organizations.

- Ownership of key controls and for executing the Sarbanes-Oxley (SOX) compliance process are primarily centered in the finance function, specifically financial reporting, in most companies. Of note, the number of organizations in Canada that said the financial reporting function primarily owns key controls increased sharply, from 34 percent in 2017 to 56 percent this year.

- Most companies across North America have fewer than 100 key internal controls.

- Only about one-third of financial executives in both the United States and Canada say they expect to see their compliance costs rise this year; most expect costs to remain steady.

- Most organizations anticipate their compliance burden will increase over the next three years.

DISCUSSION AND ANALYSIS

Finance function primarily takes lead on overseeing ICFR effectiveness

In some U.S. and Canadian companies, the finance function is primarily responsible for overall effectiveness of ICFR. But that is more often the case in Canadian firms: Forty-eight percent of respondents from Canada said the finance function has primary responsibility for that process, compared to 38 percent of U.S. respondents (Figure 22).

Figure 22: Primarily Responsible for Overall Effectiveness of ICFR, by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Audit committee	6%	6%	11%	13%	24%	24%	7%	11%
Certifying officers who sign the internal control report (CEO and/or CFO)	31%	36%	34%	22%	52%	52%	34%	34%
Finance function	39%	39%	45%	52%	16%	16%	38%	48%
Financial reporting	5%	6%	4%	0%	0%	0%	5%	3%
Internal audit	3%	1%	4%	9%	8%	8%	3%	2%
Other	6%	5%	2%	4%	0%	0%	6%	0%
Not applicable	10%	7%	1%	0%	0%	0%	8%	2%

Financial reporting taking the lead on SOX compliance tasks in most firms

The financial reporting function is primarily responsible for the SOX compliance management process in 56 percent of Canadian firms (Figure 23). In 22 percent of Canadian companies, internal audit takes the lead. At U.S. companies, the responsibility typically falls to either the financial reporting function (36 percent) or the general accounting function (37 percent).

Figure 23: Ownership of Primary Responsibility for Executing SOX Compliance Management Process, by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Financial reporting	45%	36%	39%	38%	16%	20%	36%	56%
General accounting	34%	36%	37%	31%	16%	30%	37%	17%
Internal audit	10%	11%	17%	23%	53%	20%	14%	22%
Separate SOX project management organization (PMO)	1%	1%	4%	0%	5%	20%	2%	5%
Other	9%	15%	4%	8%	11%	10%	11%	0%

While many companies are shifting responsibility for executing the SOX compliance management process away from their internal audit organization, many businesses in the $1 billion to $4.9 billion revenue range appear to be relying more on the function for this process. In 53 percent of these businesses surveyed, internal audit has primary responsibility for the SOX compliance management process, compared to 27 percent last year.

Very few organizations report they have a separate project management office (PMO) in charge of the SOX compliance management process, with the exception of the largest firms (20 percent). That trend aligns with findings from our previous survey.

Internal control trends

The financial reporting function remains the majority owner of the design and operating effectiveness of specific key internal controls across most businesses. This suggests, again, that the overall responsibility for evaluating effectiveness is centralized (Figure 24).

Figure 24: Ownership of Responsibility for Design and Operating Effectiveness of Specific Key Internal Controls, by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Financial reporting	36%	40%	40%	39%	12%	18%	35%	48%
Individuals directly responsible for executing the controls	23%	21%	20%	13%	28%	18%	22%	24%
Internal audit	3%	4%	6%	17%	16%	0%	5%	5%
Owners of applicable business processes in which controls reside	15%	19%	25%	22%	40%	45%	20%	13%
Other	10%	6%	3%	4%	4%	9%	8%	3%
Not applicable	12%	10%	6%	4%	0%	9%	10%	8%

The number of firms in Canada that said financial reporting primarily owns specific key controls sharply increased — from 34 percent in 2017 to 48 percent this year. At the same time, Canadian firms saw a major decline in ownership of specific key controls among “owners of applicable business processes in which controls reside” — from 31 percent to 13 percent (Figure 24). Increased automation and streamlining of controls might be factors influencing these changes.

Calculate Your Staffing Needs with the Workforce Planning Tool

As for trends in the number of controls, most U.S. and Canadian companies report they have fewer than 100 key internal controls (Figure 25). That finding aligns with the steady decrease in the number of internal controls we have been monitoring for several years. Many firms have been able to reduce their number of key internal controls by applying best practices to help reduce and eliminate redundancies and improve efficiencies.

Figure 25: Number of Key Internal Controls Documented in ICFR Evaluating Framework, by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Less than 100	34%	34%	36%	39%	36%	31%	34%	35%
101–250	3%	4%	10%	13%	36%	23%	6%	6%
251–500	0%	1%	1%	4%	8%	0%	1%	1%
501–1,000	1%	0%	1%	0%	0%	0%	1%	1%
1,001–2,500	0%	0%	0%	0%	0%	8%	0%	0%
More than 2,500	1%	1%	0%	0%	0%	8%	1%	1%
Not sure	16%	18%	14%	22%	12%	23%	16%	17%
Not applicable	46%	43%	39%	22%	8%	8%	42%	40%

Most finance leaders expect compliance costs to increase or hold steady

Although most U.S. and Canadian financial executives see the cost of compliance requirements remaining steady this year, roughly one-third of executives in both countries say they are experiencing rising costs (Figure 26). And companies with $1 billion to $4.9 billion in revenue appear to be feeling the compliance burden more than others: More than two-thirds (68 percent) of leaders at these firms said the cost of compliance requirements is growing.

Figure 26: Cost of Compliance Requirements — Impact on Accounting and Finance Functions, by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Rising	31%	43%	40%	39%	68%	36%	38%	33%
Falling	2%	1%	3%	0%	0%	9%	2%	1%
Staying steady	67%	55%	57%	61%	32%	55%	60%	66%

Looking further out on the horizon, most U.S. and Canadian organizations — 60 percent and 55 percent, respectively — expect their compliance burden to increase over the next three years. Very few firms anticipate a decrease (Figure 27). Only 36 percent of the largest firms ($5 billion or more in revenue) expect to see their compliance burden increase over the next three years; more than half (55 percent) project it will stay the same.

Figure 27: Compliance Burden Over the Next Three Years, by Company Size and Location

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Increase	57%	61%	63%	52%	76%	36%	60%	55%
Decrease	2%	2%	2%	4%	4%	9%	2%	3%
Stay the same	40%	37%	36%	43%	20%	55%	38%	42%

POINTS OF VIEW:
As the Compliance Burden Rises, Companies are Working to Strengthen Processes and Drive Improvement

For nearly two decades, many businesses, and their accounting and finance functions, have been grappling with increasingly stringent and complex compliance demands, from SOX to ever-evolving anti-money laundering (AML) regulations to the new revenue recognition and lease accounting standards. These challenges can also lead to greater opportunities. Annie Ropar, the CFO at Aequitas NEO Exchange, Inc., points to the benefits of added compliance measures.

To Ropar, compliance drives a greater focus on improvement in her accounting and finance functions. She recalled a recent occasion when her team was trying to demonstrate to auditors how trades are processed through the financial and data systems at Aequitas. “We realized that no one person, or even a team of people, can physically review the thousands of transactions required to obtain the right amount of audit evidence,” she said. “Our auditors developed and used AI tools to rapidly recalculate 100 percent of an entire year’s worth of revenue — millions of transactions. Smart technology tools provide better assurance — not just for the regulators, they also provide huge value to the operating entities themselves.”

Firms applying technology — and staffing strategies — to overcome SoD challenges

Joyce Purdy, CFO at U.S. manufacturing firm Siltronic Corp., said her team has needed to address potential segregation of duties (SoD) issues, along with a rising compliance burden, since the company went public in 2015. "We have become more focused on ways to further streamline checks and balances," she said. "There is a push, obviously, to have two sets of eyes on every transaction. But there are ways to accomplish that which are more streamlined."

She added, "I think we've always been focused on compliance and controls, but since the IPO we have been looking for new approaches, including technology solutions, that can help make those responsibilities less onerous."

Accounting and finance staff at Ur-Energy USA also face SoD challenges — as well as trying to keep up with workload volume and maintain internal controls. Controller Chuck Laursen said, "We need to go through each control and look at how we can maintain SoD, proper backup personnel and site control. That's tough with a small team like ours. I think we're probably going to have to integrate our CFO back into the accounting process a little more because he needs to be a backup reviewer of controls."

A need to be the bad guy to avoid AML compliance missteps

At Sepro Mineral Systems Corp., CFO Kenneth Kirk said that AML regulations are a key focus for his organization because the company operates in regions where bribery and corruption are common. "I've become more of a bad guy than a finance guy because of AML compliance," he said. "I not only need to find out whether a customer has money, but where that money comes from."

The new revenue recognition standard is also creating more compliance complexity for Kirk and his team. "How we handle our revenue recognition and match up the expenses is always a challenge, especially during the annual audit process," Kirk explained. "Because our company has projects that could run eight months long, or even longer, projects often cross over year-ends. So, there's a lot of scrutiny around revenue recognition, which is now probably our largest audit point."

The solution to staying on top of these and other compliance demands, according to Kirk, is strengthening internal processes in the accounting and finance functions. "We just have to be more diligent." he said.

Calculate Your Staffing Needs with the Workforce Planning Tool

TAKEAWAYS

- The burden of compliance is forcing many organizations to take a hard look at their processes and identify ways to work faster and smarter.

- As predicted in our previous benchmarking report, technology tools are becoming only more essential to most accounting and finance teams as they work to keep pace with the increasing number and complexity of compliance requirements. For other firms, especially those still heavily reliant on manual processes, repositioning teams and adjusting responsibilities is the immediate answer.

- Several financial executives we interviewed lamented the resource-intensiveness of maintaining compliance and internal controls because it prevents them from devoting attention to other activities that can add value to the business and help it to grow.

Calculate Your Staffing Needs with the Workforce Planning Tool

USING BENCHMARKING DATA AND INSIGHTS TO DRIVE IMPROVEMENT

Today's rapidly changing business and technology environment makes it even more important for businesses to regularly measure and compare the performance, and assess the team structures, of their accounting and finance functions against those of other organizations. The Benchmarking Accounting and Finance Functions: 2018 report from FERF and Robert Half is meant to provide financial executives with insight into how their peers are guiding their teams to respond to new challenges.

Financial leaders, using the data and insights presented in this report, should be able to more readily identify any shortcomings in their departments that can be targeted for improvement. They should also have more clarity as to whether they are on par with, or even exceeding, current industry benchmarks for accounting and finance functions' management and performance.

More important, they should develop a deeper understanding of where to anticipate future changes that could impact their accounting and finance functions and how to prepare for those changes.

RESEARCH METHODOLOGY AND RESPONDENT DEMOGRAPHICS

This report is based on an online survey conducted by FERF and Robert Half between October 2017 and January 2018. The survey, part of our ninth annual benchmarking study of accounting and finance departments, received more than 1,700 responses, primarily from financial executives in the United States and Canada.

About one-quarter (22 percent) of respondents identified themselves as CFOs. Most (83 percent) are in the United States, and 13 percent are in Canada. Two-thirds of respondents are from private companies (66 percent), while 14 percent work at publicly traded companies.

Manufacturing (19 percent) and services (12 percent) were the industries most commonly cited by respondents. Most respondents (84 percent) said their company's annual revenue is under $500 million.

FIGURE 28: RESPONDENT TITLES

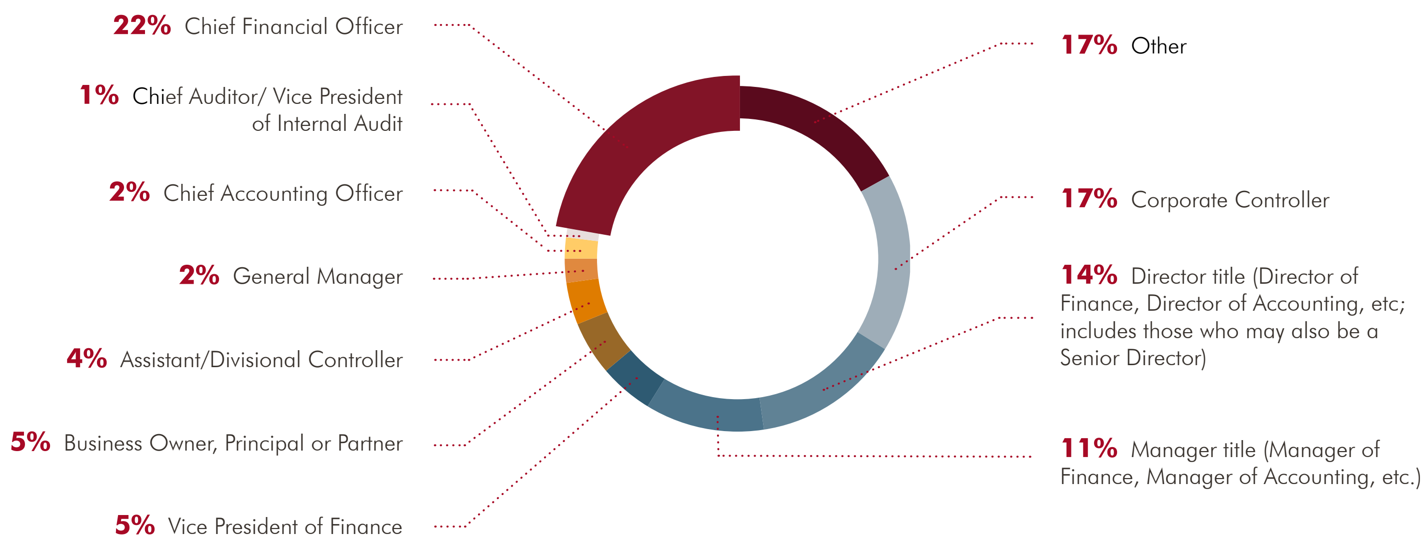


FIGURE 29: RESPONDENT HEADQUARTERS

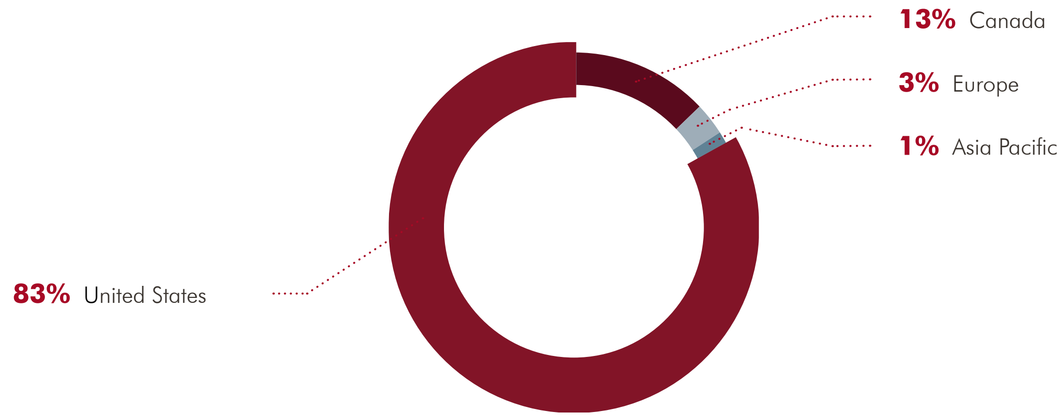


FIGURE 30: COMPANY TYPE

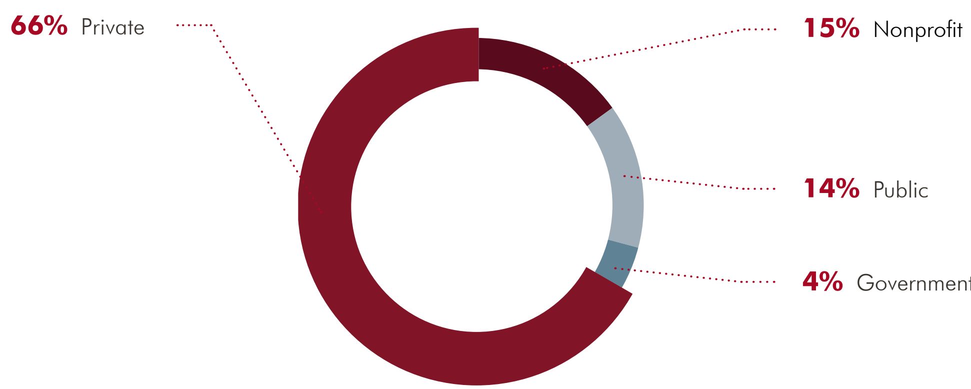


FIGURE 31: INDUSTRY

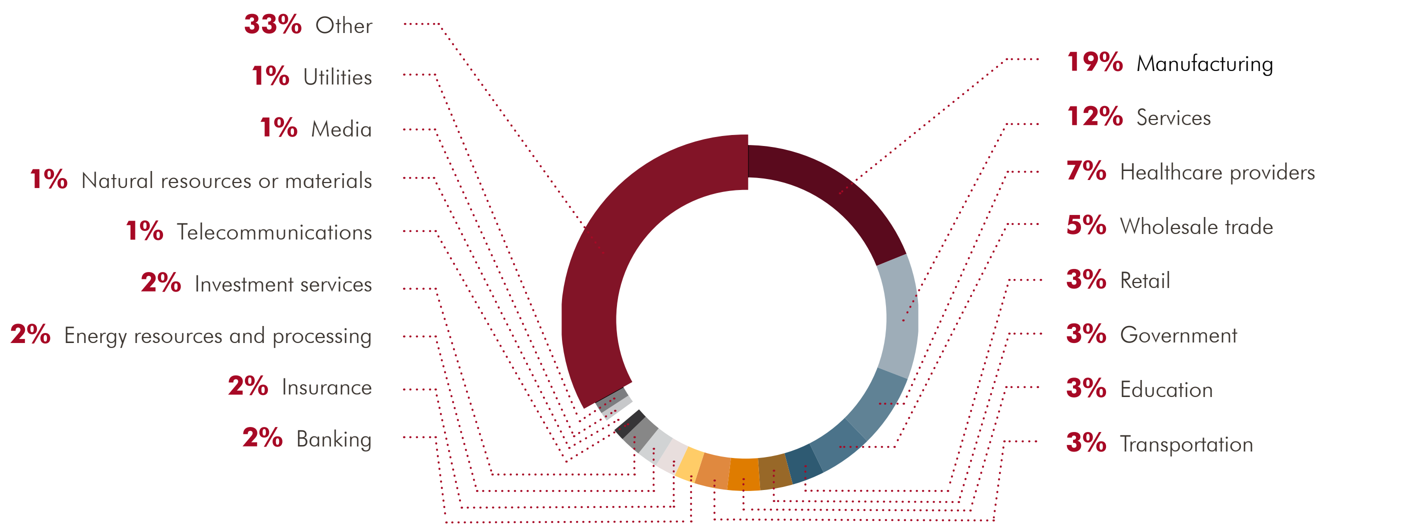
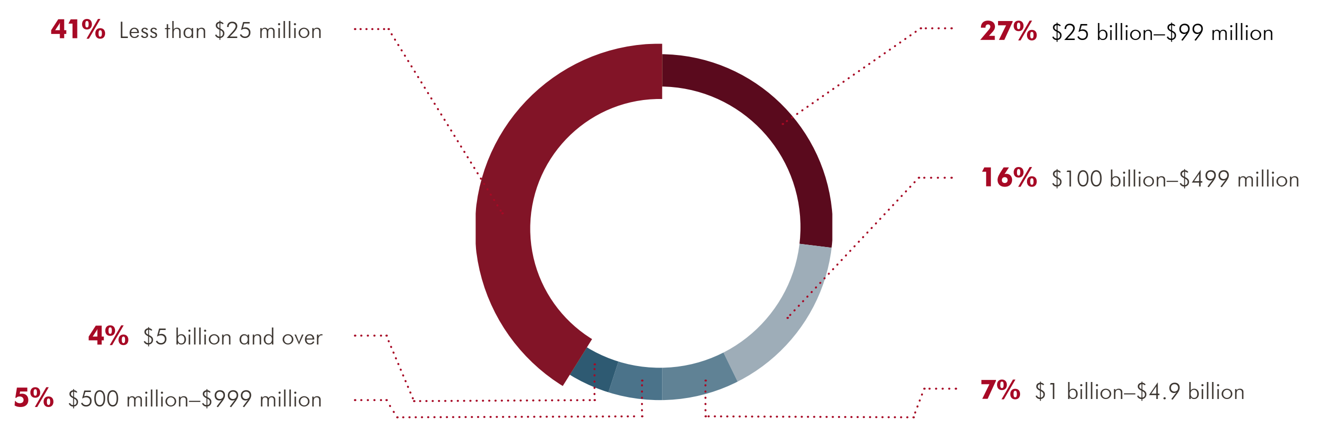


FIGURE 32: ANNUAL COMPANY REVENUE



Executive Summary

Automation, Financial Systems and Digital Transformation

Workforce Management

Accounting Operations

Internal Controls and Compliance

Using Benchmarking Data and Insights to Drive Improvement

Research Methodology and Respondent Demographics

Acknowledgments

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Figure 33: Number of Divisions/Business Units

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
1	33%	5%	7%	7%	3%	3%	21%	12%
2–10	58%	71%	59%	37%	41%	41%	56%	63%
11–20	6%	23%	22%	30%	19%	19%	13%	15%
21–30	1%	1%	4%	11%	7%	7%	3%	4%
31–50	0%	0%	4%	4%	12%	12%	2%	1%
50 or more	1%	0%	3%	12%	18%	18%	5%	6%

Figure 34: Centralized and Decentralized

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Centralized	87%	59%	68%	56%	42%	37%	79%	72%
Decentralized	2%	14%	8%	14%	12%	13%	4%	11%
Both (some functions centralized; some functions decentralized)	11%	27%	24%	30%	46%	51%	18%	18%

Figure 35: Domestic and International

	Less than $25M	$25M–$99M	$100M–$499M	$500M–$999M	$1B–$4.9B	$5B and over	United States	Canada
Domestic only	86%	80%	64%	50%	44%	24%	77%	70%
Domestic and international	14%	20%	36%	50%	56%	76%	23%	30%

ACKNOWLEDGMENTS

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Paul McDonald, Senior Executive Director, Robert Half

Paul McDonald joined Robert Half in 1984 as a recruiter in Boston, following a public accounting career with Price Waterhouse. In the 1990s, he became president of Robert Half's operations in the western United States. He most recently served as senior executive director of Robert Half Management Resources. Over the course of his career with the company, McDonald has spoken and written extensively on management and employment issues based on his work with thousands of companies and job seekers.

Follow Paul McDonald on Twitter @PaulCMcDonald.

FERF and Robert Half would like to thank the more than 1,700 finance leaders who participated in the online survey and the many executives who spoke with the authors in follow-up interviews. Their real-world experience and comments gave us a deeper understanding and appreciation for the role of the accounting and finance departments at companies and organizations of all sizes and of the opportunities and challenges that lie ahead.

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