



2011 Finance Capabilities and Needs Survey

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Introduction

Organizations today are facing an increasingly complex regulatory environment coupled with a still-uncertain economy. Nevertheless, more and more companies are positioning themselves for growth. As a result, finance functions across all industries are shifting priorities from containing costs to exploring new revenue-driving avenues, providing benchmarks by which finance management can measure the capabilities of various areas and identify gaps.

Measuring capabilities is important because it provides insight into what an organization does efficiently and effectively, perhaps better than others, and highlights areas that may be underperforming so that corrective measures may be implemented. These insights may include superior technical or subject-matter expertise, a more reliable and innovative process, proprietary systems, a differentiating brand, and a distinct culture, among other competitive advantages. If other companies lack the entity's capabilities and have difficulty replicating them, the organization has a source of sustainable competitive advantage.

Protiviti's *Finance Capabilities and Needs Survey* assesses the skill levels of finance executives and professionals in areas of priority for today's organizations, along with competencies that are most in need of improvement. Close to 200 respondents, including chief financial officers, vice presidents and directors of finance, and controllers, participated in the study. Respondents answered more than 100 questions in three categories: **Process Capabilities (Financial Analysis and Financial Transactions), Technical Capabilities and Organizational Capabilities.**

The finance executives and professionals who participated in our survey represent virtually all industry sectors, including biotechnology, consumer products, distribution, energy, financial services, healthcare, hospitality, manufacturing, retail, technology, telecommunications and utilities. Nearly half of the participants are with publicly traded companies, the others being from private, government, educational and nonprofit organizations. In terms of size, they represent a diverse group of organizations, with more than 40 percent from companies with US\$1 billion or more in annual revenues. We take a closer look at the responses from this group throughout our report. (Please note that, upon request, we can provide customized reports based on the results of respondents from specific groups – industry, company size, etc.)

We are confident the results from our *Finance Capabilities and Needs Survey* will be of interest to chief financial officers and the finance executive community at large. In addition, we anticipate a high level of interest in the survey among board members and other C-level executives seeking to understand the strengths of finance functions and typical areas for improvement. We are very appreciative and grateful for the time spent by the finance executives and professionals who participated in our survey.

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Ia. Process Capabilities (Financial Transactions)

Key Findings – 2011

- Financial Risk Management and Foreign Taxes rank as the top areas in need of improvement, followed by Tax Planning.
- Rounding out the top five “Need to Improve” responses are Project Accounting Time Tracking and Tax Processing.

Table 1: Overall Results, Process Capabilities (Financial Transactions)

"Need to Improve" Rank	Areas Evaluated by Respondents	Competency (5-pt. scale)
1 (tie)	Financial Risk Management	3.0
	Foreign Taxes	2.2
3	Tax Planning	2.6
4	Project Accounting Time Tracking	3.4
5	Tax Processing	3.3
6 (tie)	In-Country Taxes	2.7
	State or Jurisdiction Taxes	2.7
8	Cash Forecasting	3.5
9	Debt and Other Investments	3.3
10	Project Budget to Actual Reporting	3.5

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Respondents were asked to assess, on a scale of one to five, their competency in 43 areas of process capabilities focusing on financial transactions, with one being the lowest level of competency and five being the highest. They were then asked to indicate whether they believed they possess an adequate level of competency or if there is need for improvement, taking into account the circumstances of their organization and industry. (For the Process Capabilities (Financial Transactions) under consideration, see page 3.) Figure 1 depicts a comparison of “Need to Improve” versus “Competency” ratings in a Process Capabilities (Financial Transactions) landscape.

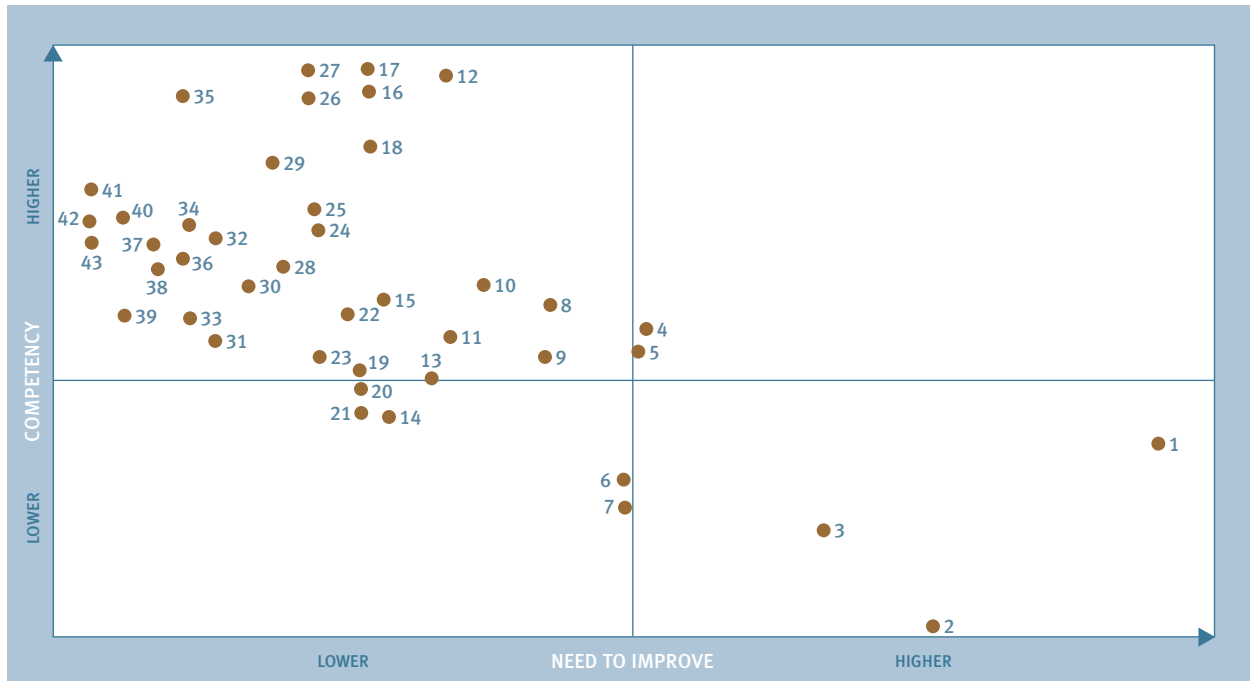
Financial risk management (FRM) is the practice of creating economic value in a firm by using financial instruments to manage exposure to risk, particularly credit risk and market risk. Not surprisingly, in the wake of a crippling global economic and financial crisis, this ranks as the top “Need to Improve” area for finance executives and professionals. Among other things, this is a strong indicator that these individuals are working to ensure they and their organizations are not caught off guard by events or financial risks they face in their day-to-day operations and activities.

In addition, Foreign Taxes ranking as a top “Need to Improve” area is not surprising. As more organizations continue to expand operations into international markets, understanding and complying with often-complex tax codes is critical. However, foreign taxes are only part of the concern, as in-country and local taxes are top-of-mind where improvement is needed among finance executives and professionals. Companies also know that minimizing the tax bite will add considerably to the bottom line. Therefore, these firms seek individuals knowledgeable about the tax codes in foreign jurisdictions to help mitigate the company’s tax burden.

Key Questions to Consider:

- What steps have you and your organization taken to enhance financial risk management processes?
- How are you addressing the challenge of understanding and complying with tax laws? Are you confident you are in full compliance while also achieving all possible cost savings and tax breaks?

Figure 1: Process Capabilities (Financial Transactions) Perceptual Map



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Number	Process Capabilities (Financial Transactions)	Number	Process Capabilities (Financial Transactions)
1	Financial Risk Management	23	Leave, Overtime and Other Employee Time Reporting
2	Foreign Taxes	24	Asset Retirements
3	Tax Planning	25	Travel and Entertainment Reimbursement
4	Project Accounting Time Tracking	26	Account Reconciliations
5	Tax Processing	27	Accruals
6	In-Country Taxes	28	Payment Scheduling
7	State or Jurisdiction Taxes	29	Intercompany Reconciliations
8	Cash Forecasting	30	Invoicing
9	Debt and Other Investments	31	Customer Credit
10	Project Budget to Actual Reporting	32	Collections/Write-offs
11	Banking Relationships	33	Scheduled Payroll
12	Annual Close	34	Disbursement
13	Employee Deductions	35	Manual Journal Entries
14	State Payroll Taxes	36	Cash Applications
15	Project Accounting Expense Tracking	37	Asset Adjustment/Transfers
16	Month-End Close	38	Asset Maintenance
17	Quarterly Close	39	Time Capture and Reporting
18	Financial Consolidations and Eliminations	40	Matching
19	Nonroutine Payroll	41	Depreciation Expense Calculations
20	Federal Payroll Taxes	42	Vendor Invoice Processing
21	Employee Tax Statement Processing	43	Asset Addition
22	Pricing		

FOCUS ON CHIEF FINANCIAL OFFICERS

While Financial Risk Management ranks as the top “Need to Improve” area for CFOs, similar to the overall results, a number of transactional and close-related competencies also are among the top responses.

Table 2: CFO Responses, Process Capabilities (Financial Transactions)

"Need to Improve" Rank	Areas Evaluated by Respondents	Competency (5-pt. scale)
1 (tie)	Financial Risk Management	3.7
	Tax Planning	3.3
	Foreign Taxes	2.8
4 (tie)	Month-End Close	4.1
	Manual Journal Entries	3.9
	Account Reconciliations	3.9
7	Pricing	4.0
8 (tie)	Financial Consolidations and Eliminations	3.9
	Travel and Entertainment Reimbursement	3.9
	Tax Processing	3.7
	Leave, Overtime and Other Employee Time Reporting	3.3

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FOCUS ON LARGE COMPANIES (>US\$1 BILLION)

In assessing the findings for this category, one notable difference is the inclusion of Project Budget to Actual Reporting among the top five “Need to Improve” areas. This suggests that more large companies are seeking to achieve greater accuracy in the budgeting process (annual, quarterly, monthly) in order to improve financial projections and reporting.

Table 3: Large Company Results, Process Capabilities (Financial Transactions)

"Need to Improve" Rank	Areas Evaluated by Respondents	Competency (5-pt. scale)
1	Financial Risk Management	2.8
2	Foreign Taxes	2.0
3	Project Budget to Actual Reporting	3.3
4	Tax Processing	3.0
5	Project Accounting Time Tracking	3.2
6	Cash Forecasting	3.2
7	Debt and Other Investments	3.0
8	Tax Planning	2.3
9	State or Jurisdiction Taxes	2.4
10	Project Accounting Expense Tracking	3.2

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Ib. Process Capabilities (Financial Analysis)

Key Findings – 2011

- KPI Development is the top area in need of improvement, followed by Operational/Productivity Reporting.
- Rounding out the top five “Need to Improve” responses are Project Management and Other Statistical Reporting.

Table 4: Overall Results, Process Capabilities (Financial Analysis)

"Need to Improve" Rank	Areas Evaluated by Respondents	Competency (5-pt. scale)
1	KPI Development	3.0
2	Operational/Productivity Reporting	3.2
3	Controls Reporting	3.5
4 (tie)	Project Management	3.4
	Other Statistical Reporting	3.2
6	COSO ERM Framework	2.7
7	Ad Hoc Nonfinancial Reporting	3.3
8	Board of Directors Financial Reporting	3.5
9	Disclosure Committee Financial Reporting	3.3
10	Multi-Year Budget	3.7

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Respondents were asked to assess, on a scale of one to five, their competency in 25 areas of process capabilities focusing on financial analysis, with one being the lowest level of competency and five being the highest. For each area, they were then asked to indicate whether they believed they possess an adequate level of competency or if there is need for improvement, taking into account the circumstances of their organization and industry. (For the Process Capabilities (Financial Analysis) under consideration, see page 7.) Figure 2 depicts a comparison of “Need to Improve” versus “Competency” ratings in a Process Capabilities (Financial Analysis) landscape.

Interestingly, all of the top “Need to Improve” areas in this survey category relate to driving organizational strategy and direction and improving performance and profitability. Clearly, these issues are top-of-mind for finance executives and professionals who, like those in other functions of an organization, are being relied upon to help companies grow and become more profitable amid an increasingly competitive landscape. Many executives are targeting improvements in reporting and/or performance management with the intent of gaining a competitive advantage as the market improves.

With regard to key performance indicator (KPI) development, this particular survey result is not surprising. A key challenge many companies face today is that their organizations are generating more and more data, but the level of reporting and analysis of that data is not keeping pace. Information overload is becoming a more persistent issue at both the individual and organizational levels. Knowing what specific metrics gauge the value drivers of the entity and reporting on those metrics in a timely and repeatable fashion is a challenge for many companies. KPIs help an organization define and measure progress toward organizational goals. They are measures of performance developed to monitor advancement toward the achievement of strategy or the factors that may threaten their strategy and the ultimate creation of value for stakeholders. In addition, KPIs are the primary means for communicating business results across an organization.

KPI development ties into overall performance management. Today's businesses are exploring all possible avenues to become more profitable. A key part of that effort involves gaining more insights into each area of the organization and understanding what is, and is not, operating effectively and profitably. Finance functions, through the creation and monitoring of KPIs and business performance, are playing an increasingly vital role in helping management understand how the company is performing and where it can improve.

The high "Need to Improve" ranking for Controls Reporting comes as little surprise. Given the many automated and manual controls companies have in place for Sarbanes-Oxley and, more broadly, governance, risk management and compliance, many companies want better controls reporting to help ensure these controls are performing as intended.

Another top "Need to Improve" area – Project Management – is noteworthy in that it suggests the need for more organizational collaborating and driving performance of the business. Finance functions have become increasingly involved in strategic change management and improvement initiatives that require effective project management. Pain around such initiatives typically develops due to lack of a shared vision, inability to articulate direction, lack of alignment as to what the true vision is, lack of ability to focus given other day-to-day job requirements, or all of the above. A project's scope, and ultimately the business value, may also not be defined clearly and may prove difficult to manage effectively as other challenges and business priorities emerge. Effective project management can drive key initiatives to successful completion, on time and within budget, without overly taxing organizational resources.

It also is important to develop project management as a core skill set in employees. Many finance professionals are skilled in certain parts of their jobs but are not effective project managers, thus project management skills are not resident in the organization. Companies can benefit from investing in additional project management training and development, and perhaps consider forming a finance project management office (PMO).

Enterprise Risk Management (ERM) is also of concern for senior-level finance practitioners. COSO's ERM Framework has been an overwhelming choice as the basis for implementing ERM within many organizations. Its framework provides a common language for ERM that has generally been accepted as the standard for a robust ERM process. The challenge is applying the framework as it was intended to be applied, i.e., in strategy setting and across the organization. Boards of directors have high expectations on management to strengthen risk management policies and procedures. The high-profile business failures precipitating the financial crisis highlight the need for enhanced corporate governance and risk management. As noted in prior Protiviti research (see *Board Risk Oversight: A Progress Report*, available at www.protiviti.com), the board's risk oversight is not always supported by robust underlying processes and there is overall dissatisfaction among a significant number of directors in several areas, including how risks are considered in the context of the organization's strategy.

Key Questions to Consider:

- Is your organization effectively leveraging all of the data being generated via its automated systems and processes?
- Has your finance function developed effective and informative KPIs that define and measure progress toward organizational goals?
- Are you partnering effectively with other departments and functions in the organization, both on key projects and overall strategic initiatives?
- Is there a periodic dialogue between management and the board on the critical assumptions underlying the corporate strategy as well as the risks inherent in pursuing strategic objectives?

Figure 2: Process Capabilities (Financial Analysis) Perceptual Map



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Number	Process Capabilities (Financial Analysis)	Number	Process Capabilities (Financial Analysis)
1	KPI Development	14	Variance Analysis
2	Operational/Productivity Reporting	15	External Reporting
3	Controls Reporting	16	Annual Budget
4	Project Management	17	Financial Statement Certification
5	Other Statistical Reporting	18	Ad Hoc Financial Reporting
6	COSO ERM Framework	19	Standard Cost Development
7	Ad Hoc Nonfinancial Reporting	20	Standard Cost Maintenance
8	Board of Directors Financial Reporting	21	Product Reporting
9	Disclosure Committee Financial Reporting	22	Cost Allocations
10	Multi-Year Budget	23	Business Unit/Segment Financial Statements
11	Period Forecast	24	Segment Reporting
12	Cost Management	25	Consolidated Financial Statements
13	Customer Reporting		

FOCUS ON CHIEF FINANCIAL OFFICERS

CFOs surveyed for Process Capabilities (Financial Analysis) reversed the order of the top two overall responses, with Operational/Productivity Reporting as their top response and KPI Development second. Ad Hoc Non-financial Reporting was also high on the list of areas in need of improvement, tying for the number two spot, while Other Statistical Reporting, and Project Management round out the top five.

Table 5: CFO Responses, Process Capabilities (Financial Analysis)

"Need to Improve" Rank	Areas Evaluated by Respondents	Competency (5-pt. scale)
1	Operational/Productivity Reporting	3.5
2 (tie)	KPI Development	3.2
	Ad Hoc Nonfinancial Reporting	3.5
4	Other Statistical Reporting	3.6
5	Project Management	3.5
6	Controls Reporting	4.0
7	Multi-Year Budget	4.1
8	COSO ERM Framework	2.7
9	Customer Reporting	3.4
10	Variance Analysis	3.9

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One particularly interesting finding is that Ad Hoc Nonfinancial Reporting ranks highly among CFOs as a “Need to Improve” area but not in the overall response. This is understandable, though, because CFOs frequently receive requests for specific or customized reports. However, it is often the case that good information leads to further questions, driving the need for efficient and effective ad-hoc reporting. Developing such ad hoc reports often is a challenge, especially if the organization has inconsistent data models and spreadsheet-driven reporting tools. These factors can make such reporting a time-intensive endeavor for CFOs and finance staff, from accessing and managing the data to producing easy-to-comprehend reports for executives, that pulls them away from other key business initiatives.

FOCUS ON LARGE COMPANIES (>US\$1 BILLION)

Similar to the overall response, KPI Development is top-of-mind for respondents from large companies. Interpreting and analyzing data to enhance business performance clearly is a primary goal for these organizations. The ability to realize this goal is made more difficult by the high volumes of data being produced by larger companies. However, operational and financial reporting to the board of directors should not be overlooked. Directors need to have appropriate and meaningful risk-related information to prepare them for discussions with management. Risks that threaten the company's strategy and the viability of its business model should command the board's risk oversight agenda. The criticality of these risks – such as credit risk in a financial institution or supply chain risk in a manufacturer – requires full board engagement.

Table 6: Large Company Results, Process Capabilities (Financial Analysis)

"Need to Improve" Rank	Areas Evaluated by Respondents	Competency (5-pt. scale)
1	KPI Development	3.0
2	Operational/Productivity Reporting	3.1
3 (tie)	Board of Directors Financial Reporting	3.3
	Project Management	3.5
5	Period Forecast	3.8
6	Other Statistical Reporting	3.1
7	COSO ERM Framework	2.9
8	Controls Reporting	3.4
9	Ad Hoc Nonfinancial Reporting	3.2
10	Multi-Year Budget	3.7

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II. Technical Capabilities

Key Findings – 2011

- International Financial Reporting Standards (IFRS) ranks as the top area in need of improvement.
- Other top “Need to Improve” areas include Extensible Business Reporting Language (XBRL) and Readiness for Adopting New and Impending Accounting Pronouncements.

Table 7: Overall Results, Technical Capabilities

"Need to Improve" Rank	Areas Evaluated by Respondents	Competency (5-pt. scale)
1	International Financial Reporting Standards	2.8
2	Extensible Business Reporting Language	2.3
3	Readiness for Adopting New and Impending Accounting Pronouncements	3.2
4 (tie)	Fair Value Accounting	3.2
	Reporting Uncertainties to the IRS	2.3
6	FASB Accounting Standards Codification	3.0
7	U.S. Tax Law	2.7
8	International/Transfer Pricing Regulations	2.3
9	New Proxy Rules, Including Risk and Compensation Disclosures	2.4
10	SEC's 2007 Interpretive Guidance Regarding Section 404 of the Sarbanes-Oxley Act	3.2

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Respondents were asked to assess, on a scale of one to five, their competency in 22 areas of technical capabilities in finance, with one being the lowest level of competency and five being the highest. For each area, they were then asked to indicate whether they believed they possess an adequate level of competency or if there is need for improvement, taking into account the circumstances of their organization and industry. (For the Technical Capabilities under consideration, see page 12.) Figure 3 depicts a comparison of “Need to Improve” versus “Competency” ratings in a Technical Capabilities landscape.

In assessing the top 10 technical capabilities in need of improvement, a common theme evident in the responses is “change.” Finance executives are keenly aware they must be ready to address and adapt to a broad range of recent and impending changes in accounting standards, public filing requirements, regulatory pronouncements, health care mandates, and changes to the tax code, among many other areas.

One specific area of great concern to finance executives and professionals continues to be IFRS. If approved in the United States, IFRS will be a significant change event for most organizations. Though the U.S. Securities and Exchange Commission (SEC) has yet to establish a formal timeline for what likely will be convergence with (rather than conversion from) U.S. GAAP, the general consensus in the business community is that IFRS will be required for U.S.-headquartered companies. (Of note, most European nations already report under IFRS, while countries including Canada, Japan and Korea have hard deadlines for converting to these standards). In February 2010, the SEC approved a timeline that envisions 2015 as the earliest possible date for the required use of IFRS by U.S. public companies. The SEC action calls for more study of IFRS and a vote in 2011 on whether to move ahead with a mandate to use IFRS. Meanwhile, convergence of U.S. GAAP and IFRS continues on an aggressive schedule, with a number of significant changes expected in the next 12 to 18 months.¹

¹ For more information on IFRS, read Protiviti’s *Guide to International Financial Reporting Standards: Frequently Asked Questions (Second Edition)*, available at www.protiviti.com.

Regardless of the SEC's final time line, the convergence calendar, because it changes GAAP, will affect private and public companies as it unfolds. Since convergence of U.S. GAAP and IFRS already is underway in significant areas such as revenue recognition and lease accounting, now is the time for companies to begin formulating the steps they must take to ensure that the transition to IFRS is as seamless, effective and cost-efficient as possible.

It also is important to note that while convergence with IFRS is imminent, it may be a more gradual process than a point-in-time and wholesale conversion. Therefore, finance leaders will need to be careful not to assume there is simply a single point in time in the future when IFRS knowledge will be needed. Instead, they should be sure they are keeping up with the more gradual accounting principle changes that could and likely will occur over time. In addition, they will need to play a key role throughout the transition of their companies to IFRS to ensure that, among other things, the integrity of financial reporting processes stays intact. To play this role, they will need to understand the new accounting requirements and their application. This will not be easy when process owners are undergoing the same learning curve. Areas of a company that will be impacted include business strategies and policies, internal control, business processes, people and resources, internal reporting, methodologies, financial reporting systems, and underlying data.

Fair value accounting is another area where respondents expressed a significant need to improve. Fair value accounting, also referred to as "mark-to-market," is a way to measure assets and liabilities that appear on a company's balance sheet and income statement. Fair value is used as a certainty of the market value of an asset (or liability) for which a market price can be determined (usually because there is no established market for the asset). Under U.S. GAAP (FAS 157), fair value is the amount at which the asset could be bought or sold in a current transaction between willing parties, or transferred to an equivalent party, other than in a liquidation sale.

Key Questions to Consider:

- Does your organization have a clear plan of action for adopting IFRS and/or the convergence of IFRS and U.S. GAAP?
- Do you or will you have a project management office (PMO) assigned to lead IFRS-related activities?
- Is your firm prepared to implement IT change management processes related to IFRS?
- Is your finance function familiar with fair value accounting principles and FAS 157?

Figure 3: Technical Capabilities Perceptual Map



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Number	Technical Capabilities	Number	Technical Capabilities
1	International Financial Reporting Standards	12	Domestic Regulations
2	Extensible Business Reporting Language	13	Sarbanes-Oxley Section 301
3	Readiness for Adopting New and Impending Accounting Pronouncements	14	Sarbanes-Oxley Section 302
4	Fair Value Accounting	15	PCAOB Auditing Standard No. 5
5	Reporting Uncertainties to the IRS	16	Sarbanes-Oxley Section 404
6	FASB Accounting Standards Codification	17	Business Combinations
7	U.S. Tax Law	18	Regulation S-K & S-X Requirements
8	International/Transfer Pricing Regulations	19	Revenue Recognition – General Revenue Recognition – Multiple Element Deliverables
9	New Proxy Rules, Including Risk and Compensation Disclosures	20	Segment Reporting
10	SEC's 2007 Interpretive Guidance Regarding Section 404 of the Sarbanes-Oxley Act	21	SEC Staff Accounting Bulletin (SAB) No. 104
11	Reporting Uncertainties – External Reporting	22	Stock-Based Compensation

FOCUS ON CHIEF FINANCIAL OFFICERS

Responses among CFOs surveyed generally mirror the study's overall results, with the exception of the rank order of the top five. Interestingly, the top-ranked area for improvement among CFOs is Readiness for Adopting New and Impending Accounting Pronouncements. Business Combinations and PCAOB Auditing Standard No. 5 also rank among the top areas in need of improvement for CFOs.

Table 8: CFO Responses, Technical Capabilities

"Need to Improve" Rank	Areas Evaluated by Respondents	Competency (5-pt. scale)
1 (tie)	Readiness for Adopting New and Impending Accounting Pronouncements	3.4
	International Financial Reporting Standards	3.0
3 (tie)	Business Combinations	3.6
	FASB Accounting Standards Codification	3.0
	Reporting Uncertainties to the IRS	2.5
6	PCAOB Auditing Standard No. 5	3.0
7	Fair Value Accounting	3.4
8	Extensible Business Reporting Language	2.3
9	Reporting Uncertainties – External Reporting	3.2
10	SEC's 2007 Interpretive Guidance Regarding Section 404 of the Sarbanes-Oxley Act	3.0

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FOCUS ON LARGE COMPANIES (>US\$1 BILLION)

Similar to the overall results, respondents from large companies cite IFRS as their top area in need of improvement, while Fair Value Accounting ranks second. Other top “Need to Improve” areas include Reporting Uncertainties to the IRS, U.S. Regulations, and Readiness for Adopting New and Impending Accounting Pronouncements.

Table 9: Large Company Results, Technical Capabilities

"Need to Improve" Rank	Areas Evaluated by Respondents	Competency (5-pt. scale)
1	International Financial Reporting Standards	2.9
2 (tie)	Fair Value Accounting	3.1
	Reporting Uncertainties to the IRS	2.3
4	Domestic Regulations	2.6
5 (tie)	Readiness for Adopting New and Impending Accounting Pronouncements	3.1
	SEC's 2007 Interpretive Guidance Regarding Section 404 of the Sarbanes-Oxley Act	3.3
7	Extensible Business Reporting Language	2.3
8	Sarbanes-Oxley Section 301	3.4
9	FASB Accounting Standards Codification	2.9
10	U.S. Tax Law	2.6

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One interesting finding here is the high “Need to Improve” ranking for the SEC’s 2007 Interpretive Guidance Regarding Sarbanes-Oxley Section 404. Results from Protiviti’s *2011 Sarbanes-Oxley Compliance Survey* suggest that many large companies have mature Sarbanes-Oxley compliance processes (conflicting with the results of this finance study) and view the SEC’s guidance to have had a positive impact on their compliance activities.²

It is possible that, given the SEC’s guidance was intended to help reduce the time and costs required for Sarbanes-Oxley compliance, CFOs and finance professionals see a need to assess where they might be able to achieve further savings.

² 2011 Sarbanes-Oxley Compliance Survey, available at www.protiviti.com.

III. Organizational Capabilities

Key Findings – 2011

- Developing Outside Contacts/Networking is the leading area in need of improvement, underscoring an interest in staying connected with peers and subject-matter experts.
- Negotiation, Dealing with Confrontation, Presenting to Groups and Time Management also rank highly as key soft skills necessary for effective leadership.
- Overall, competency ratings are higher for Organizational Capabilities than for other categories in the survey.

Table 10: Overall Results, Organizational Capabilities

"Need to Improve" Rank	Areas Evaluated by Respondents	Competency (5-pt. scale)
1	Developing Outside Contacts/Networking	3.5
2	Negotiation	3.5
3	Dealing with Confrontation	3.5
4	Presenting (large groups)	3.6
5	Time Management	3.6
6	High-Pressure Meetings	3.7
7	Leadership (in outside organizations, groups, etc.)	3.6
8	Six Sigma	2.6
9	Leadership (within your organization)	3.8
10	Networking with Peers	3.8

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Respondents were asked to assess, on a scale of one to five, their competency in 21 areas of organizational capabilities, with one being the lowest level of competency and five being the highest. They were then asked to indicate whether they believed they possess an adequate level of competency or if there is need for improvement, taking into account the circumstances of their organization and industry. (For the Organizational Capabilities under consideration, see page 17.) Figure 4 depicts a comparison of “Need to Improve” versus “Competency” ratings in an Organizational Capabilities landscape.

Each of the competencies among the top-ranked “Need to Improve” areas represent core capabilities that finance professionals should strive to improve along with other technical skills. Despite the growing prevalence of technology and automation in the finance function, many day-to-day aspects of this work are still about people, from partnering on key projects to presenting reports and communicating findings to decision-makers in an effective manner. The quality and skills of the individuals who comprise a finance function will drive its quality and performance as much as, or more than, any other factor. Therefore, it remains just as important to focus on interpersonal and communication, or “soft,” skills as it does to continue learning about new accounting principles and regulations. In addition, organizational soft skills remain highly valuable to finance leaders who are assuming more strategic roles and working closely with most departments in the organization.

Also, as the economy shows some slow but steady signs of improvement, organizations are addressing their people needs more than they have in the past few years. In this environment, talent retention and succession planning become higher priorities for a company. There is a heightened sense of urgency among management to keep employees happy and offer them more responsibility when appropriate, with the ultimate goal to reduce attrition as much as possible. Historically, these objectives have been weaknesses within finance functions, which often have emphasized technical skills and development over soft skills for supervisors.

Key Questions to Consider:

- Does your organization offer adequate training in “soft” skills so that teams can learn to communicate and work more effectively with various departments?
- Do you feel you have a strong network of outside experts and contacts to whom you can reach out regularly for counsel and guidance?
- Is your finance team acquiring, developing and maturing the skills they need to be effective when they leave the finance function to lead and contribute in other areas of your organization?
- Has your company considered adopting a Six Sigma strategy in the finance function?

Figure 4: Organizational Capabilities Perceptual Map



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Number	Organizational Capabilities	Number	Organizational Capabilities
1	Developing Outside Contacts/Networking	12	Personnel Performance Evaluation
2	Negotiation	13	Change Management
3	Dealing with Confrontation	14	Developing Rapport with Senior Executives
4	Presenting (large groups)	15	Developing Rapport with Business Unit Executives
5	Time Management	16	Leveraging Outside Expertise
6	High-Pressure Meetings	17	Presenting (small groups)
7	Leadership (in outside organizations, groups, etc.)	18	Written Communication
8	Six Sigma	19	Working Effectively with Regulators
9	Leadership (within your organization)	20	Working Effectively with External Auditors
10	Networking with Peers	21	Working Effectively with Outside Parties
11	Coaching/Mentoring		

FOCUS ON CHIEF FINANCIAL OFFICERS

There are a number of notable differences between the top “Need to Improve” areas for CFOs and the overall responses detailed earlier. Perhaps most notably, Networking with Peers ranks as CFOs’ top area in need of improvement. Other noteworthy differences on this list include Six Sigma, Coaching/Mentoring and Leveraging Outside Expertise.

Table 11: CFO Responses, Organizational Capabilities

"Need to Improve" Rank	Areas Evaluated by Respondents	Competency (5-pt. scale)
1	Networking with Peers	4.0
2 (tie)	Developing Outside Contacts/Networking	3.9
	Time Management	3.7
4 (tie)	Presenting (large groups)	4.0
	Six Sigma	2.9
6 (tie)	Coaching/Mentoring	4.0
	Leveraging Outside Expertise	4.2
	Negotiation	3.9
	Written Communication	4.1
10 (tie)	Developing Rapport with Senior Executives	4.4
	Developing Rapport with Business Unit Executives	4.3
	Presenting (small groups)	4.3

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The high “Need to Improve” ranking for Six Sigma, coupled with a relatively low competency rating, is an interesting result, indicating that CFOs see a strong need to achieve incremental yet valuable improvements in their finance processes and systems, and may wish to deepen standard process improvement methodologies.

FOCUS ON LARGE COMPANIES (>US\$1 BILLION)

The findings in this section contain some notable differences from the overall responses. Leadership (in outside organizations) is the top “Need to Improve” competency for respondents from large companies. High-Pressure Meetings also is a key area in need of improvement.

Table 12: Large Company Results, Organizational Capabilities

"Need to Improve" Rank	Areas Evaluated by Respondents	Competency (5-pt. scale)
1 (tie)	Leadership (in outside organizations, groups, etc.)	3.6
	Negotiation	3.5
3 (tie)	Dealing with Confrontation	3.6
	Developing Outside Contacts/Networking	3.6
	High-Pressure Meetings	3.7
	Time Management	3.6
7	Six Sigma	2.6
8	Leadership (within your organization)	3.8
9 (tie)	Coaching/Mentoring	3.7
	Presenting (large groups)	3.8
	Networking with Peers	3.9

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Within larger firms, serving as a leader in outside organizations, trade associations, conferences and other venues is a valued trait, as this not only supports professional development but also organizational efforts to build positive public relations and brand reputation. Negotiation also is a valuable skill, whether in working on contracts and agreements or with other company employees to settle disagreements. Interestingly, High-Pressure Meetings also ranked highly among this group of companies, suggesting there are a greater number of such meetings within larger organizations and that it is important for finance executives and professionals to be skilled at working within and managing them effectively.

SURVEY DEMOGRAPHICS

Close to 200 respondents participated in the survey, which was conducted online in the fourth quarter of 2010 and the first quarter of 2011. All demographic information was provided voluntarily and not all participants provided data for every demographic question.

Position	
Vice President, Finance	16%
Finance Staff	15%
Financial Reporting Director/Manager	14%
Corporate Controller	13%
Chief Financial Officer	11%
Assistant/Divisional Controller	9%
Corporate Management	8%
Finance Process Manager	6%
Budgeting/Planning Director/Manager	2%
Management Consultant	2%
Audit Committee Member	1%
External Public Accountant	1%
Other	3%

Industry	
Energy	15%
Financial Services	11%
Manufacturing	10%
Healthcare (U.S.)	8%
Services	7%
Technology	7%
Hospitality	6%
Life Sciences/Biotechnology	6%
Government/Education/Not-for-profit	5%
Insurance	4%
Telecommunications	4%
Consumer Products	3%
Professional Services	3%
Real Estate	3%
Communications	2%
Distribution	2%
Media	2%
Retail	2%
Utilities	2%

Size of Organization (by Gross Annual Revenue)	
\$20 billion or greater	12%
\$10 billion - \$19.99 billion	3%
\$5 billion - \$9.99 billion	9%
\$1 billion - \$4.99 billion	19%
\$500 million - \$999.99 million	16%
\$100 million - \$499.99 million	21%
Less than \$100 million	20%

Certification	
CPA/CA	71%
CMA	10%
CIA	6%
CISA	3%
Other	26%

Country of Respondents	
United States	91%
Canada	4%
Japan	2%
China	1%
Italy	1%
United Kingdom	1%

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Protiviti (www.protiviti.com) is a global business consulting and internal audit firm composed of experts specializing in risk, advisory and transaction services. We help solve problems in finance and transactions, operations, technology, litigation, governance, risk, and compliance. Our highly trained, results-oriented professionals provide a unique perspective on a wide range of critical business issues for our clients in the Americas, Asia-Pacific, Europe and the Middle East.

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- **Powerful Insights** (Protiviti's podcast series)
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