

CFO insights

Key issues affecting today's finance leaders



Executive summary

Over the past decade, the CFO and finance team have played an increasingly pivotal role, providing strategy and financial stewardship while confronting critical issues like cash flow, regulation, corporate governance and business growth. But today's finance team is increasingly called on to deliver efficiency and direction across areas such as operations, human resources, and sales and marketing, giving rise to financial business partnerships that deliver growth across the organisation. With multiple and often competing priorities, CFOs face a growing tide of responsibility and mounting issues that may keep them awake at night.

So what is causing their insomnia?

Finance leaders' key concerns

Nearly five years on from the start of the global crisis, the economy continues to weigh heavily on the minds of finance directors in the UAE.

Financing woes

One-third (33%) of CFOs consider the perceived exposure to bad debt and risk as the top reason, followed by poor credit rating (29%) and operating in a perceived risky or depressed industry (27%).

Recruitment implications

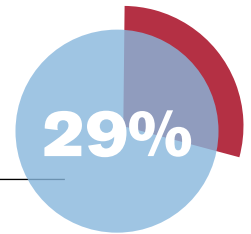
More than four in 10 (41%) finance leaders cite lack of time to complete work and projects as having a negative impact on their businesses, with one in three (32%) indicating they face a shortage of permanent employees.

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THREE IN 10

CFOs say cash flow is a top concern



Finance leaders' key concerns

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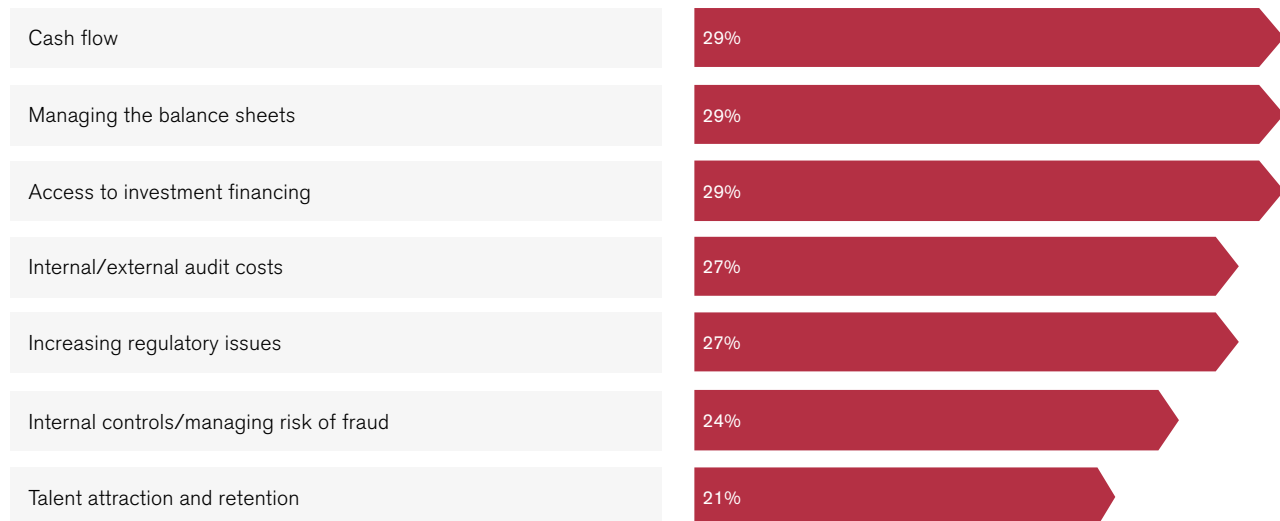
More than four in 10 (41%) respondents indicate that the national economy remains one of their chief concerns, followed by the global economy (32%) and the eurozone economy (33%)¹. Despite economic pressure and competition from some areas in South America and Asia, the rise of emerging markets was only cited by 28% of FDs as a primary concern.

With economic unpredictability continuing to affect the global financial markets, it is unsurprising that cash flow remains high

on the agenda for today's finance leaders. Nationally, three in 10 (29%) CFOs consider cash flow a top concern, rising to 67% for large companies.

Managing the balance sheets and access to investment financing are also cited as primary concerns facing finance executives, with nearly three in 10 (29%) indicating so. Lack of funding, particularly among small and medium-sized enterprises, may be stifling economic growth, prompting the government to work with institutions, including the World Bank, to devise schemes to increase lending².

Which, if any, of the following would you say are the three biggest INTERNAL concerns that you currently face in your role?



Despite the improving global economic climate, customer/client insolvencies are the number one factor contributing to executives' concerns around cash flow, cited by nearly half (45%) of FDs. This is followed by competitive pricing and low margins, slow-paying customers and higher business expenditure, all at

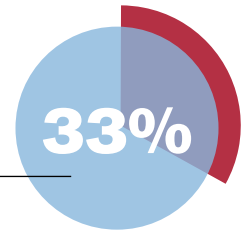
41% of the response. The issues around cash flow are therefore not limited to the credit department – finance teams are having to work with various departments of the business, including sales and business development as well as operations, to ensure that cash flow issues remain in check.

¹ CFOs/FDs were asked, 'Which, if any, of the following would you say are the three biggest external concerns that you currently face in your role?'

² www.reuters.com/article/2013/05/06/ifc-emirates-smes-idUSL6N0DN20820130506

MORE THAN ONE IN THREE

of CFOs think the perceived exposure to bad debt and risk is making it difficult for companies to secure investment financing

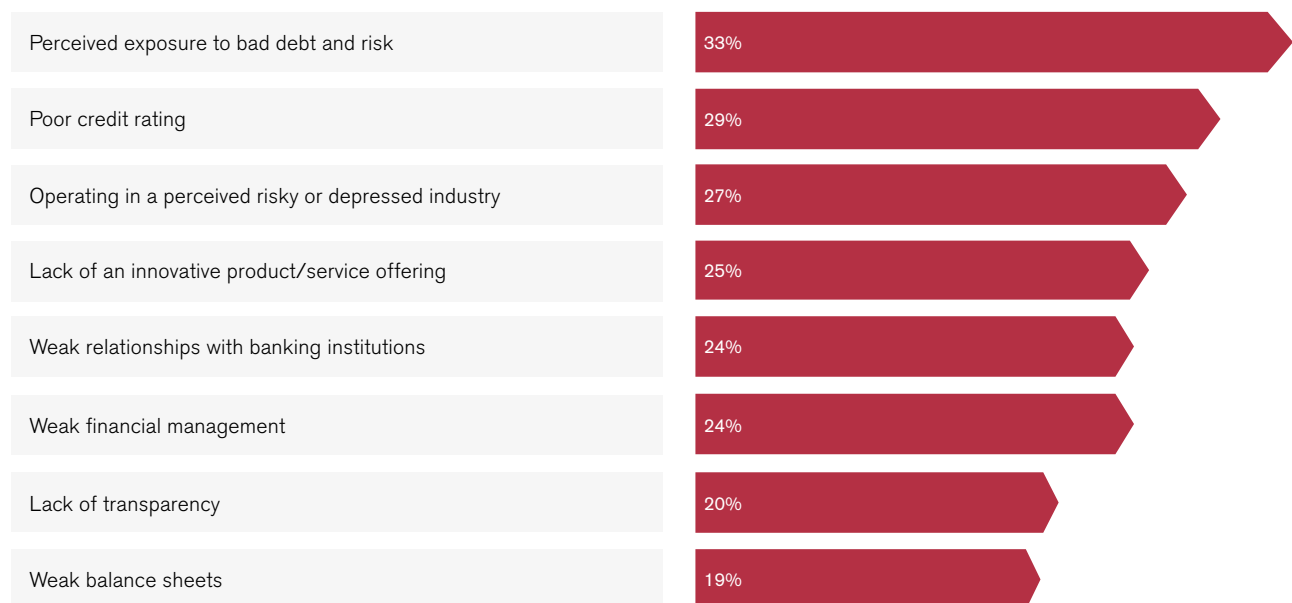


Financing woes

Looking at some of the additional factors making it difficult to secure investment financing, one-third (33%) of CFOs consider the perceived exposure to bad debt and risk as the top reason, followed by poor credit rating (29%) and operating in a perceived risky or depressed industry (27%).

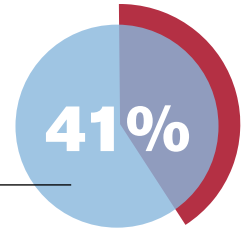
Unfortunately, many of the factors that are most directly within control of the finance team, including managing finances and the balance sheets, at 24% and 19% respectively, were not among the top reasons that companies are challenged in securing additional funding.

What factors do you think are making it difficult for companies to secure credit and finance?



MORE THAN FOUR IN 10

of finance leaders cite lack of time to complete work and projects as having a negative impact on their businesses



Recruitment implications

More than four in 10 (41%) finance leaders cite lack of time to complete work and projects as having a negative impact on their businesses, with one in three (32%) indicating they face a shortage of permanent employees. Many finance departments are running with lean teams and have been reticent to increase headcount to pre-recessionary levels. Many therefore find themselves challenged in managing their workloads.

Compounding the issue is the fact that nearly three in 10 (28%) CFOs indicate inadequate technical skills within their department and 27% say that lack of mid-management leadership have an adverse effect. During a time when finance professionals are managing traditional accounting tasks while also working with various strategic and commercial teams throughout the business, having the right talent in staff as well as management-level roles is as important as ever.

Looking to optimise departmental effectiveness, nearly one half (48%) of CFOs believe that business process improvement is the top mechanism to do so. This is followed by improving communication between internal departments (45%) and financial systems improvement (37%).

To develop their finance and accounting teams, finance directors consider mentorship and coaching programmes – pairing rank-and-file employees with managers from across the business – as most conducive in helping accountants advance their careers. Internal training, job shadowing and business partnering are also considered effective.

It is clear that the finance function has not yet completed its transformation. Ongoing concerns, as well as emerging ones, will continue to challenge CFOs who are under pressure to deliver growth in both bull and bear conditions.

About the research

The survey was conducted by an independent research firm and includes responses from 75 finance directors in Dubai and Abu Dhabi.

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