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THE IMPACT OF COVID-19 ON THE FINANCE FUNCTION



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ABOUT THE AUTHOR

Raef Lawson, Ph.D., CMA, CSCA, CPA, CFA, CAE, is professor-in-residence and vice president of research and policy at IMA. You can reach him at **(201) 474-1532** or **rlawson@imanet.org**.



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INTRODUCTION

The COVID-19 pandemic is challenging organizations worldwide, forcing them to rethink their business models as they struggle for survival. As companies look to reconfigure their businesses, the finance organization can play a key role in helping them stabilize operations and strategize for the future.

But how is the pandemic affecting their finance functions? To find out, IMA® (Institute of Management Accountants) conducted a survey of the impact of the pandemic on finance functions of companies around the world, which provides the basis for this report. To provide context, we start with the impact of the pandemic on organizations as a whole, looking at the impact on their revenues and staffing levels. Then, focusing on the finance function, we look at the impact on priorities of the finance function and its staff. Finally, we look at the areas in which finance professionals are looking to upskill and issues related to reskilling. •



Study Background

The report is based on a survey of 1,481 accounting and finance professionals located in five countries: China, India, Saudi Arabia, the United Arab Emirates (UAE), and the United States. Respondents were selected to be approximately evenly divided among these five countries (see Figure 1).

Slightly more than one-third of the survey respondents were women, with the percentage varying by country, ranging from a high of 51% in China to a low of 18% in Saudi Arabia (see Figure 2). •

FIGURE 1: SURVEY RESPONDENTS BY COUNTRY

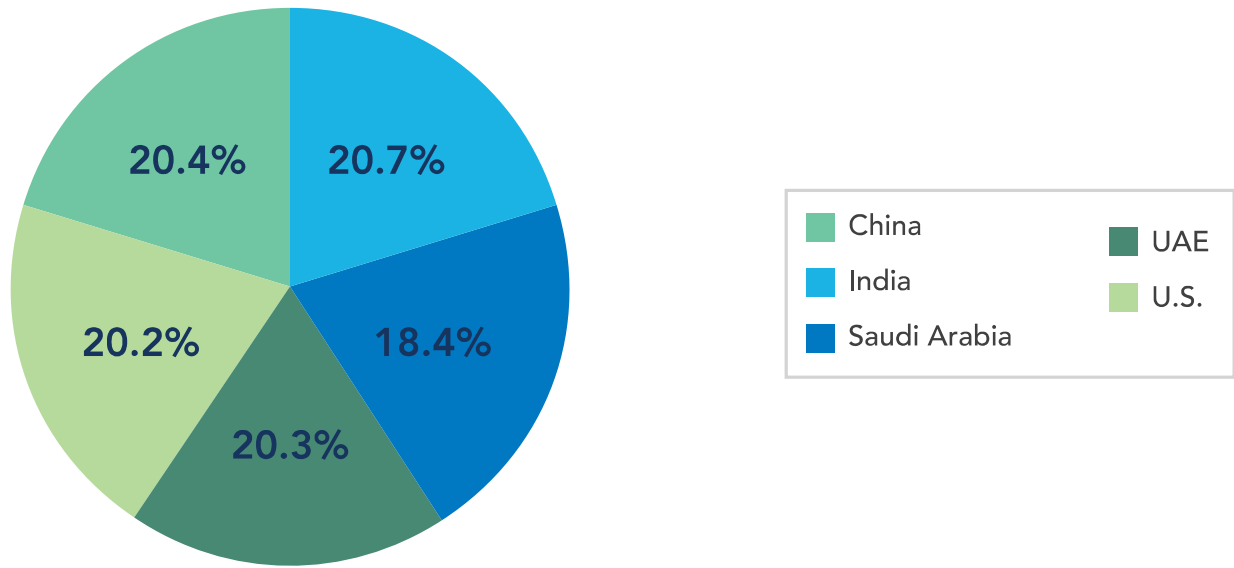
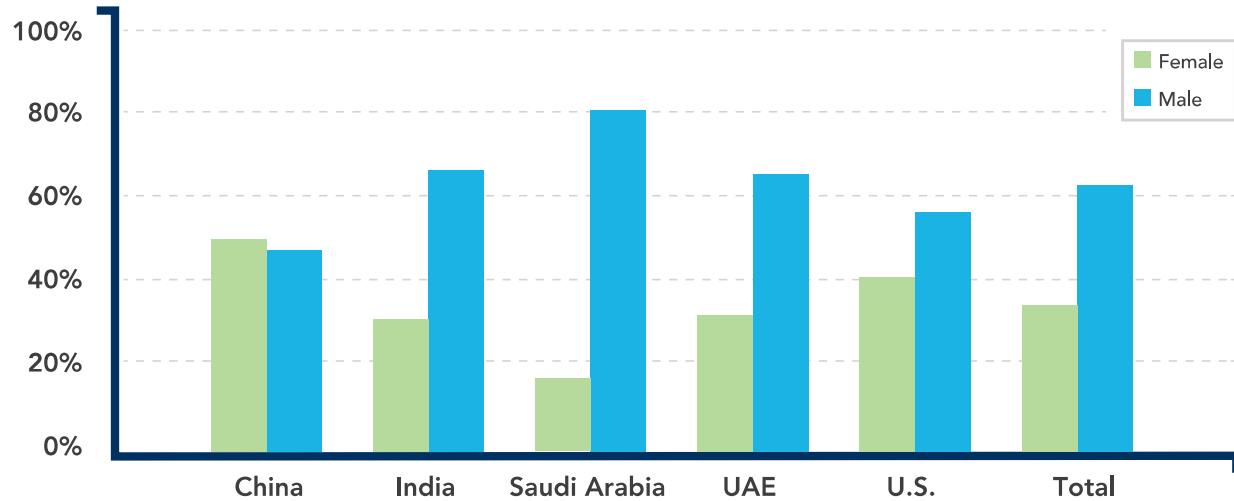


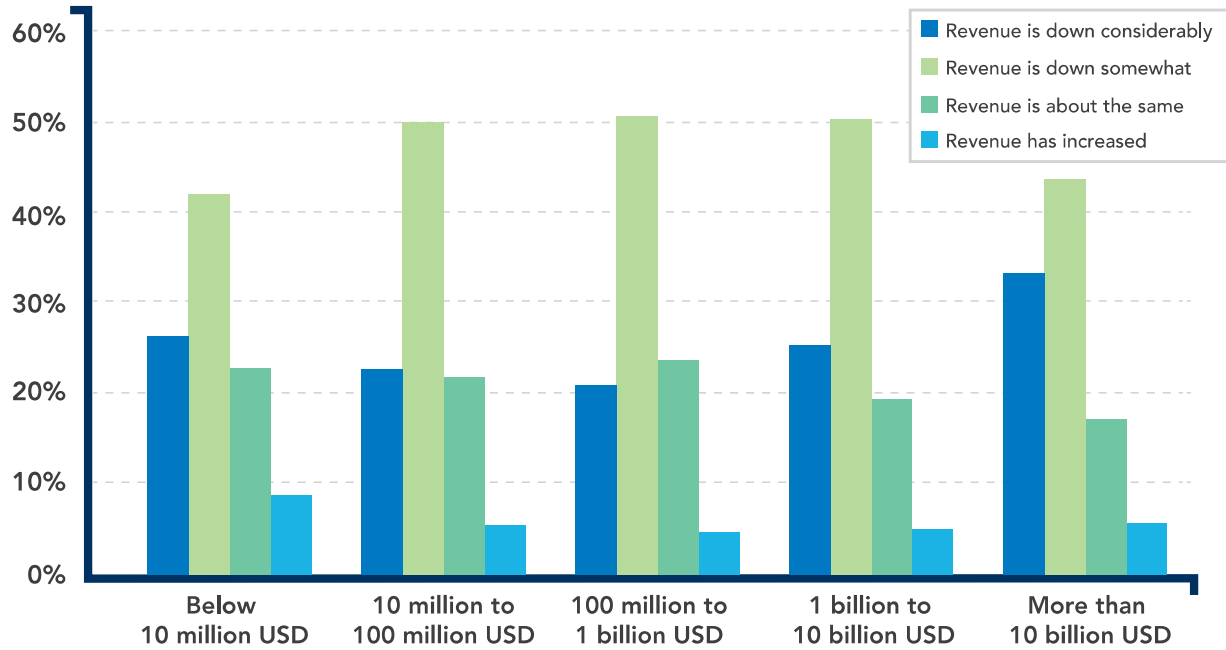
FIGURE 2: RESPONDENTS BY GENDER AND COUNTRY



Impact of the Pandemic on Organizations

The news is full of stories of how organizations of all sizes are struggling to survive during the COVID-19 pandemic. Large companies in strategic industries, such as airlines, are pleading for government assistance, while small businesses such as restaurants and gyms—often without the financial resources of larger companies—also struggle to survive. Our survey results reflect an across-the-board decline in revenue, with very large companies (those with more than \$10 billion in revenue) most likely to have experienced a considerable decline in revenue (see Figure 3).

FIGURE 3: IMPACT OF COVID-19 ON REVENUES BY COMPANY SIZE

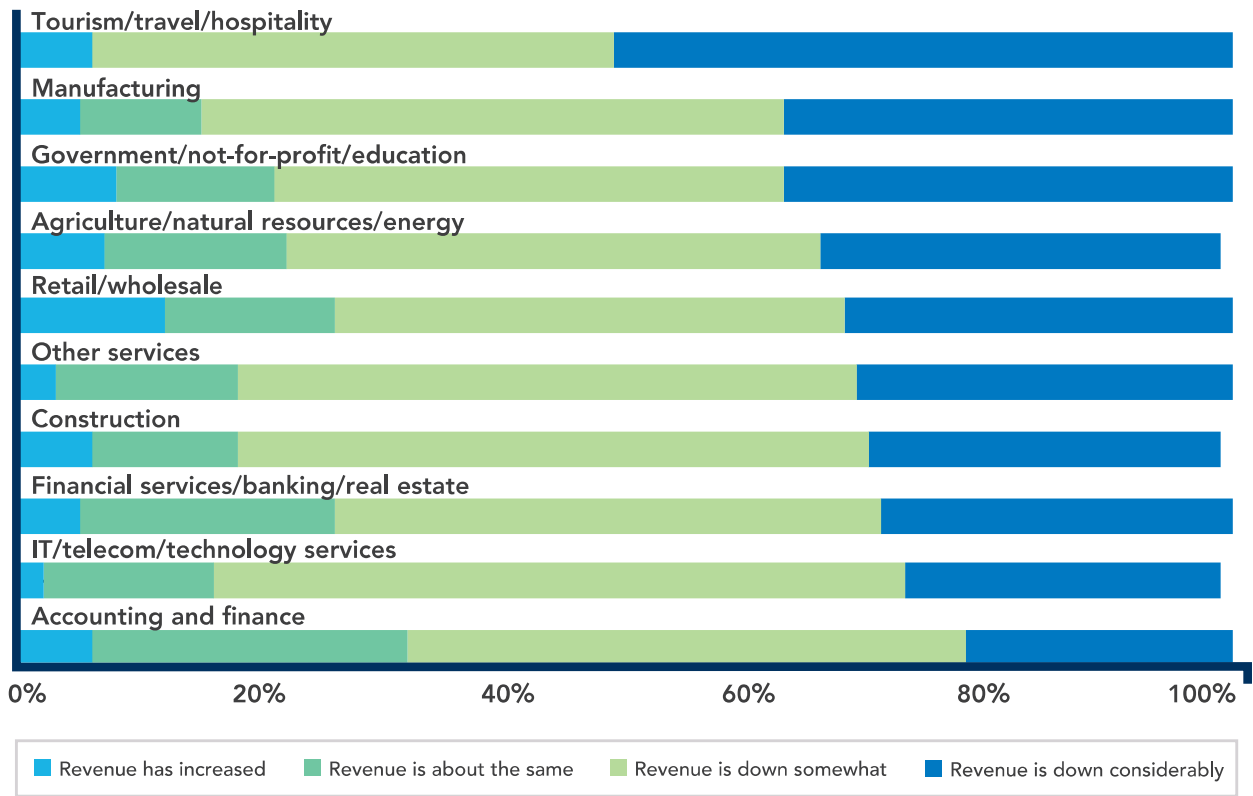


Our survey results reflect an across-the-board decline in revenue.

While the impact of the pandemic was felt across organizations of all sizes, the effect varied significantly across industries, with the tourism, travel, and hospitality industry being impacted the hardest (see Figure 4). Given the numerous full and partial lockdowns implemented around the world, this is not surprising.

Despite the general decline in revenues among companies of all sizes, fully one-third of our survey respondents felt they were doing better than their

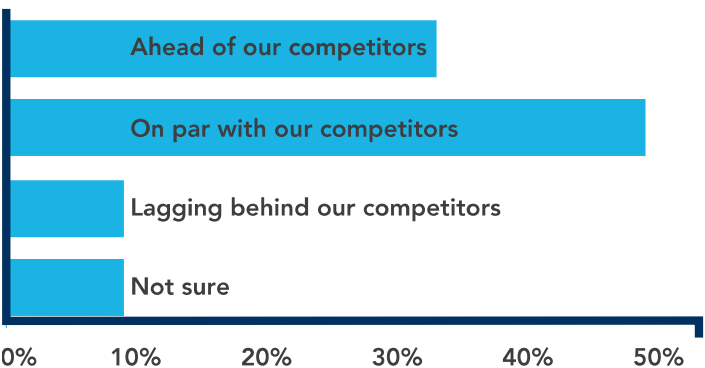
FIGURE 4: IMPACT ON REVENUES BY INDUSTRY



competition, and fewer than 10% felt they were lagging behind their competitors (see Figure 5).

Companies' belief in how they were faring compared to their competitors was influenced by company size: Larger organizations (greater than 1,000 employees) were more likely (39%) to believe they were ahead of their competition than smaller (fewer than 100 employees) companies (29%). •

FIGURE 5: PERFORMANCE VS. COMPETITORS

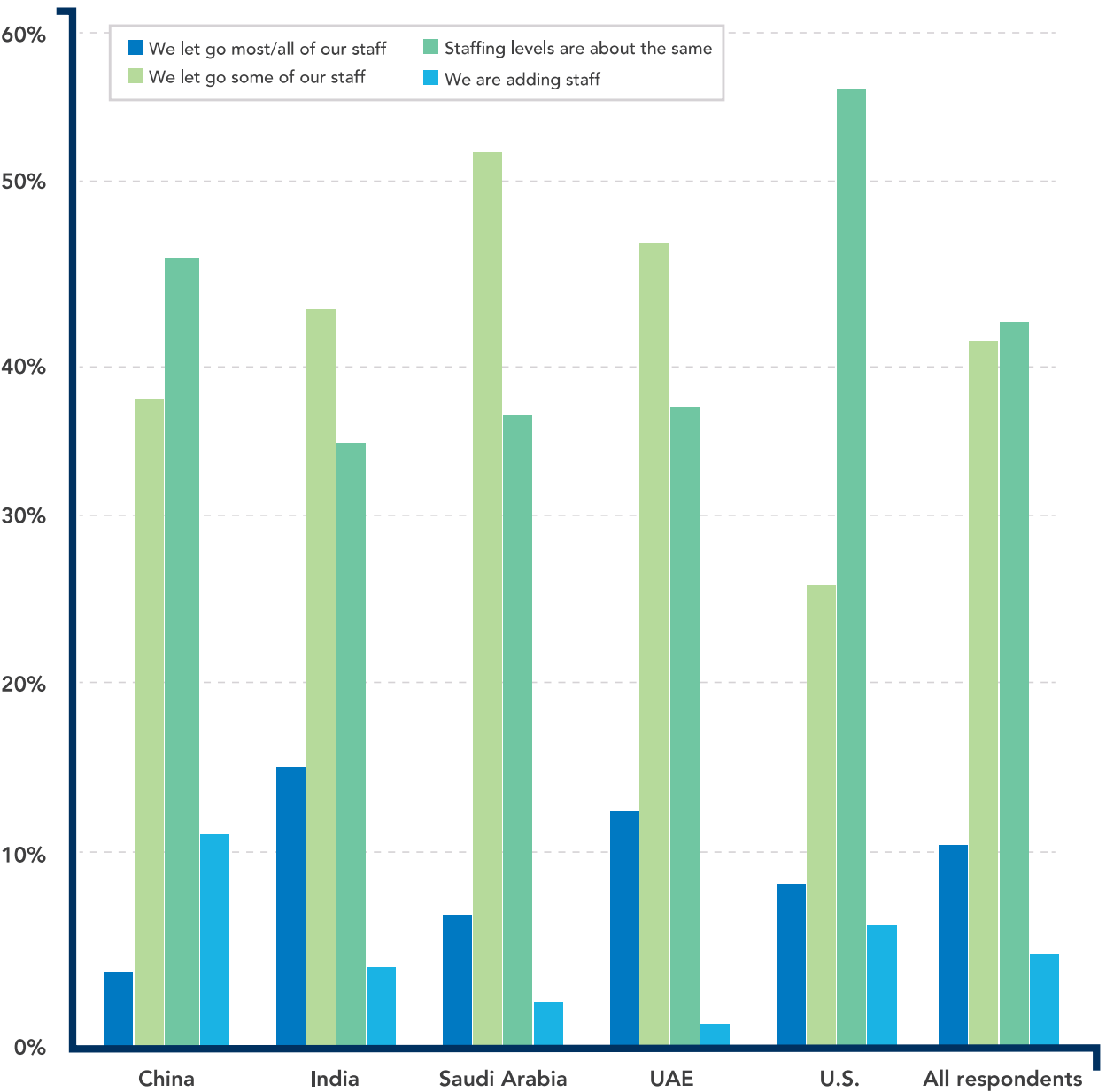


One-third of our survey respondents felt they were doing better than their competition, and fewer than 10% felt they were lagging behind their competitors.

Impact on Staffing

The survey confirms what has been widely reported in the news: The pandemic has severely impacted employment around the world. Approximately half of the companies surveyed have let some of their staff go. Yet companies' responses to the pandemic in this regard varied significantly by region, as shown in Figure 6. Companies in the U.S. were the least likely to have reduced the size of their staff, followed by China and India. Those in the Middle East—Saudi Arabia and the UAE—were most likely to have reduced their staff size. •

FIGURE 6: IMPACT OF COVID-19 ON STAFFING BY COUNTRY



Impact on Compensation in Finance

The pandemic has affected not only employment but also the compensation of those still employed. Most survey respondents have had a reduction in their compensation this year, whether in salary, bonus, or both. Yet similar to the situation regarding employment, the impact of the pandemic on compensation varied significantly by country (see Figure 7). Companies in the U.S. were least likely to change the amount paid to employees. Chinese companies, on the other hand, were most likely to leave salaries unchanged but reduce the amount of bonus paid. This reflects the greater use of variable compensation in China than in the U.S. Finally, companies in India, Saudi Arabia, and the UAE were most likely to cut the salaries of their employees.

While the compensation of all age groups has been impacted, those ages 60 and older were least

FIGURE 7: IMPACT OF COVID-19 ON COMPENSATION

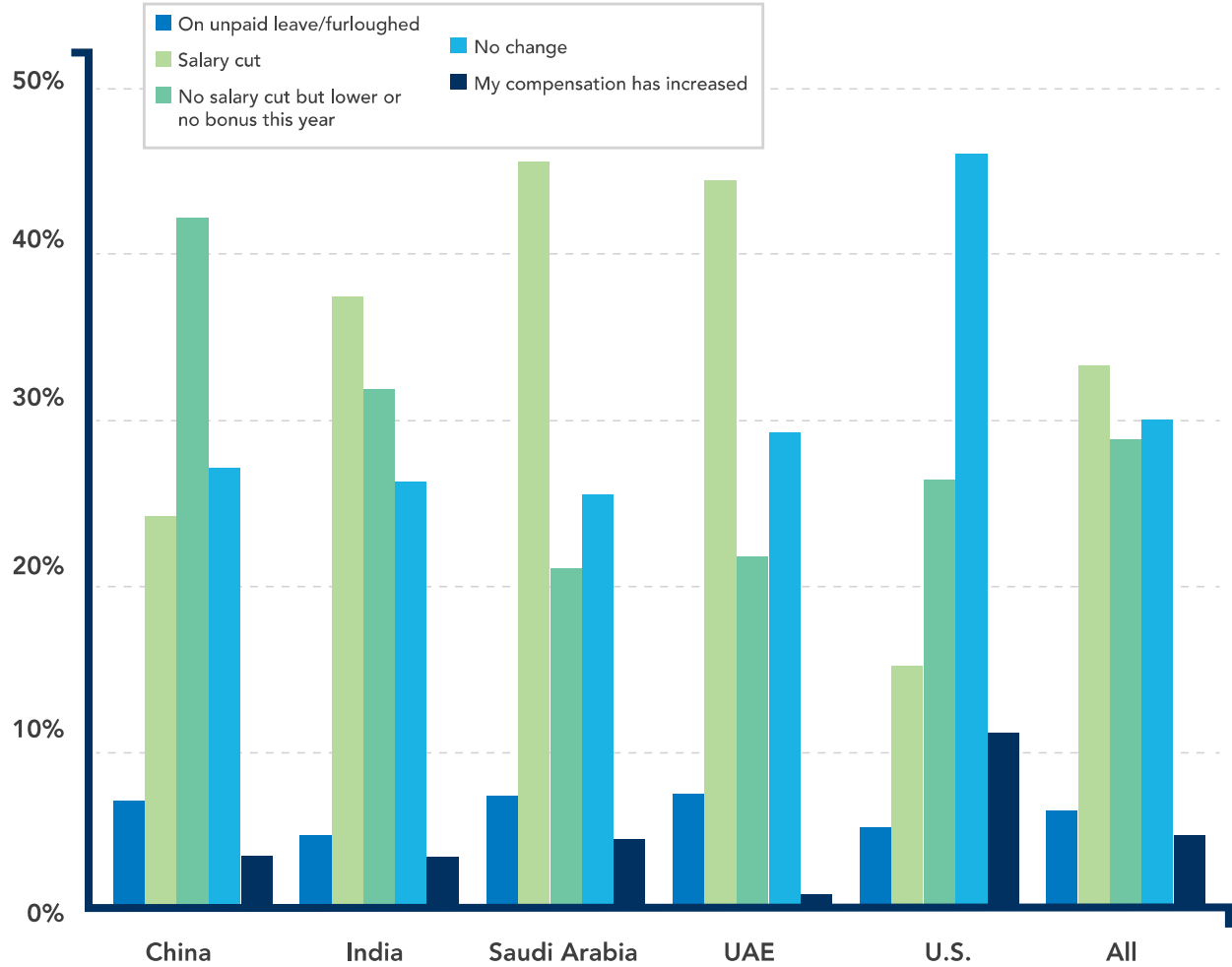
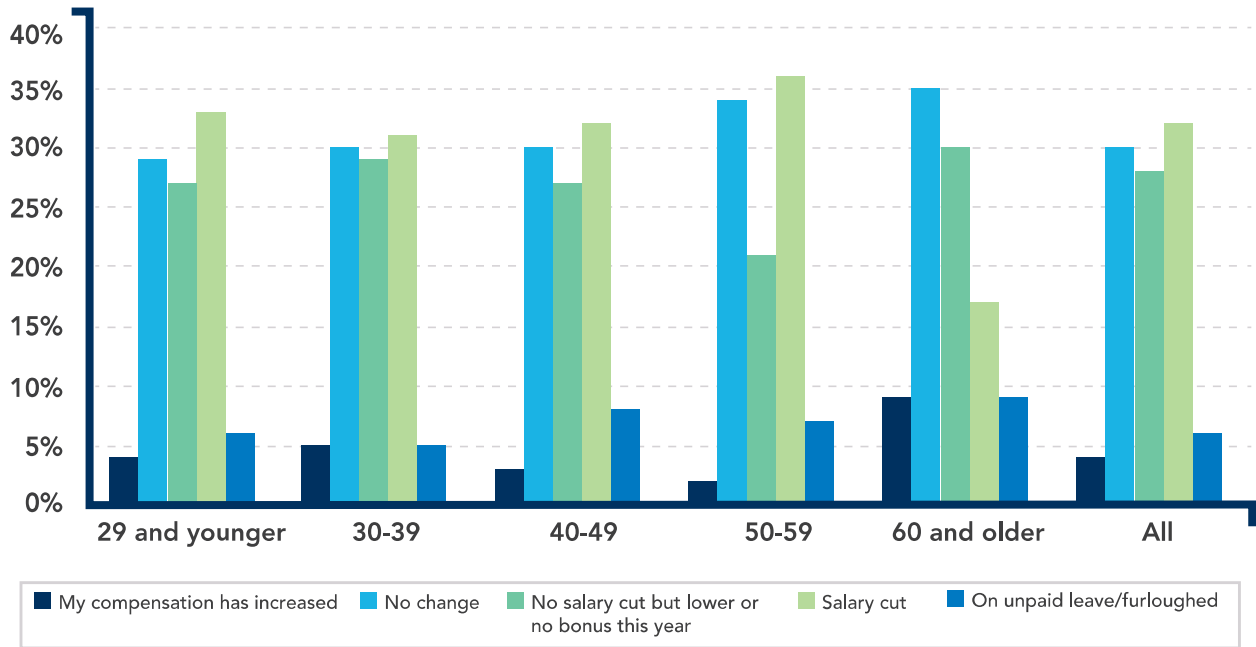


FIGURE 8: IMPACT OF THE PANDEMIC ON COMPENSATION BY AGE GROUP

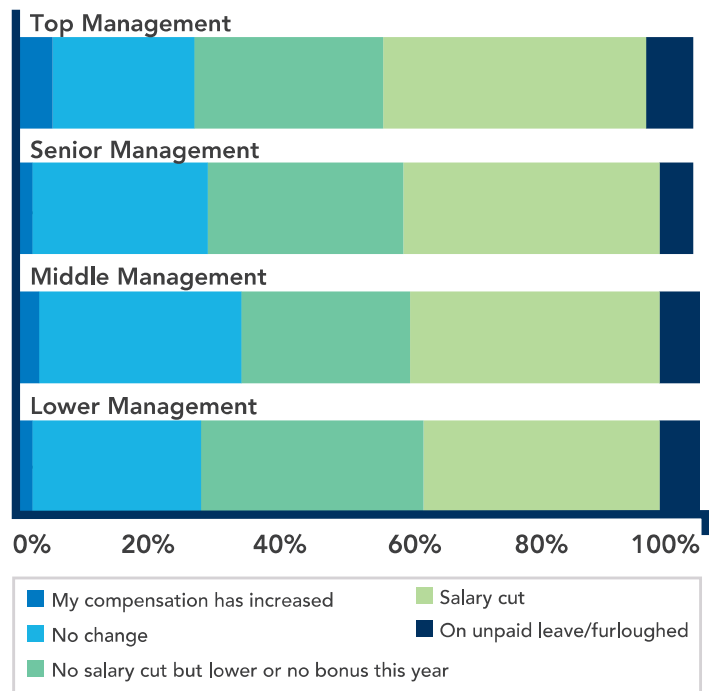


affected (see Figure 8), reflecting their more senior positions in their organizations.

The effect of the coronavirus pandemic has been felt at all levels of the finance organization, with the impact on compensation and employment being very consistent across all management levels. (See Figure 9.)

As noted earlier, the impact of the pandemic has varied widely by industry. Many industries shut down completely at first and are only now beginning to reopen, while others remained open and were only slightly impacted. This varying impact can be seen in the change in the respondents' compensation since the pandemic began (see Figure 10). Hardest hit are professionals in the tourism, travel, and hospitality industry—13% of respondents in that category were furloughed, and 58% had their pay cut. Also relatively hard hit were professionals in the government, not-for-profit, and education areas, with 5% furloughed and 52% experiencing a decrease in salary. Relatively least affected were those working for companies in the accounting

FIGURE 9: IMPACT ON COMPENSATION AND EMPLOYMENT BY MANAGEMENT LEVEL



and finance industry.

Not surprisingly, changes in company staffing levels are reflected in changes to individuals' compensation. Companies that downsized were more likely to have reduced employee compensation as compared to those that have not reduced the number of their employees (see Figure 11).

FIGURE 10: CHANGE IN COMPENSATION BY INDUSTRY

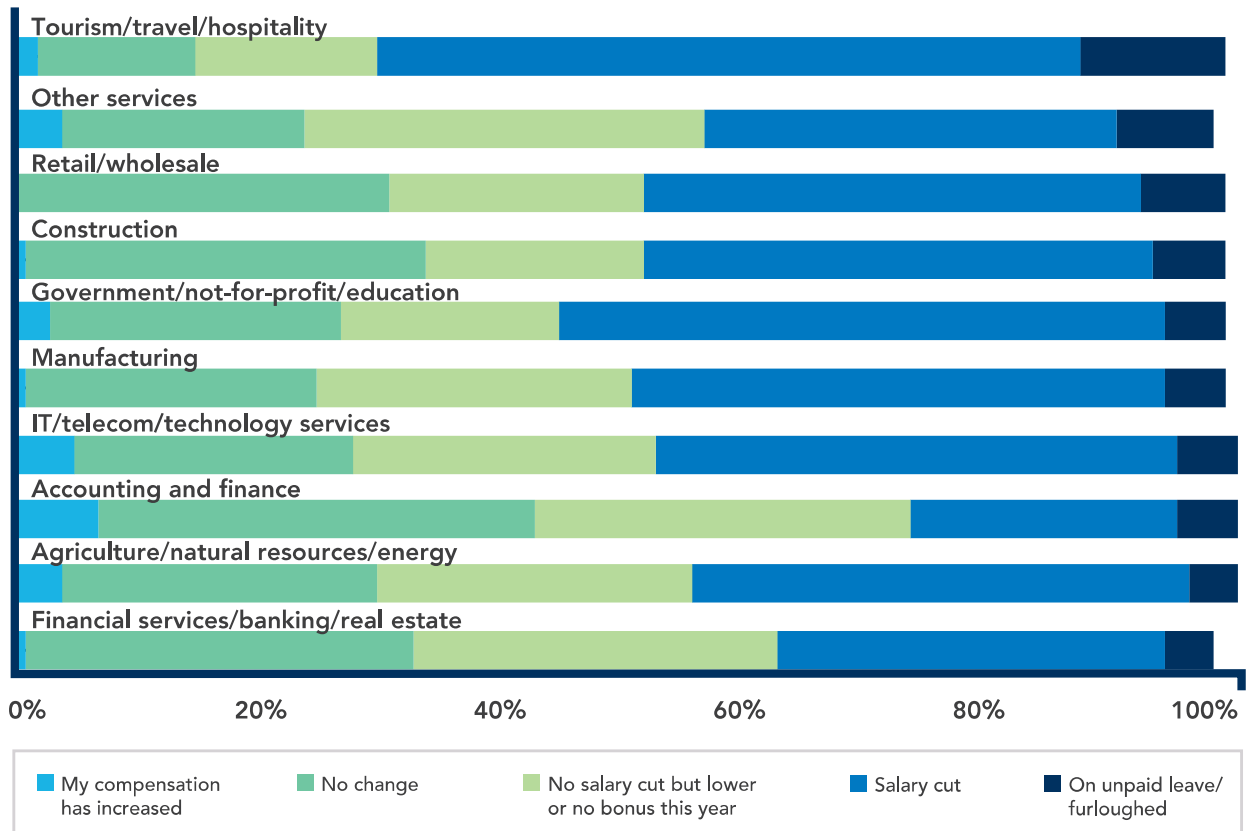
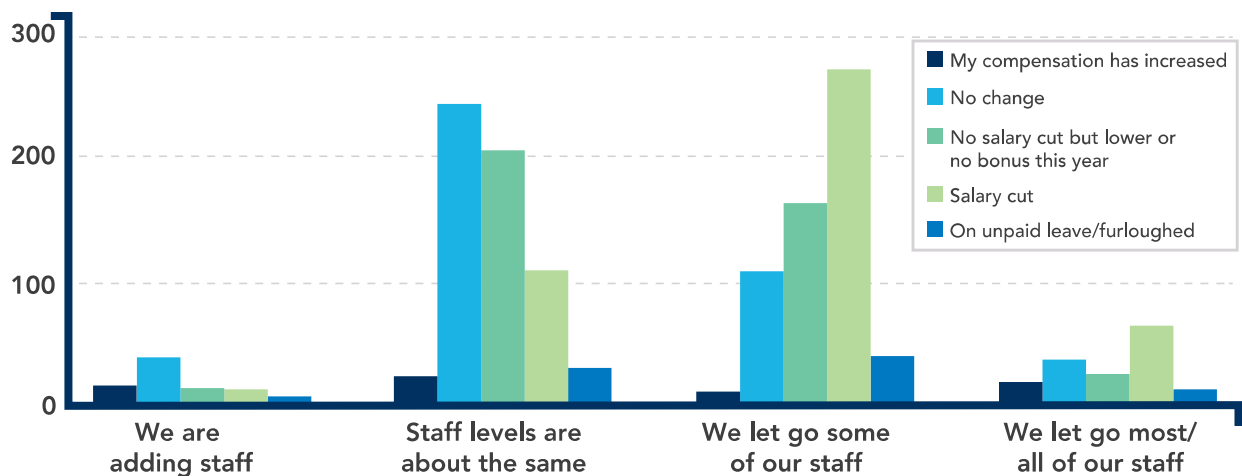


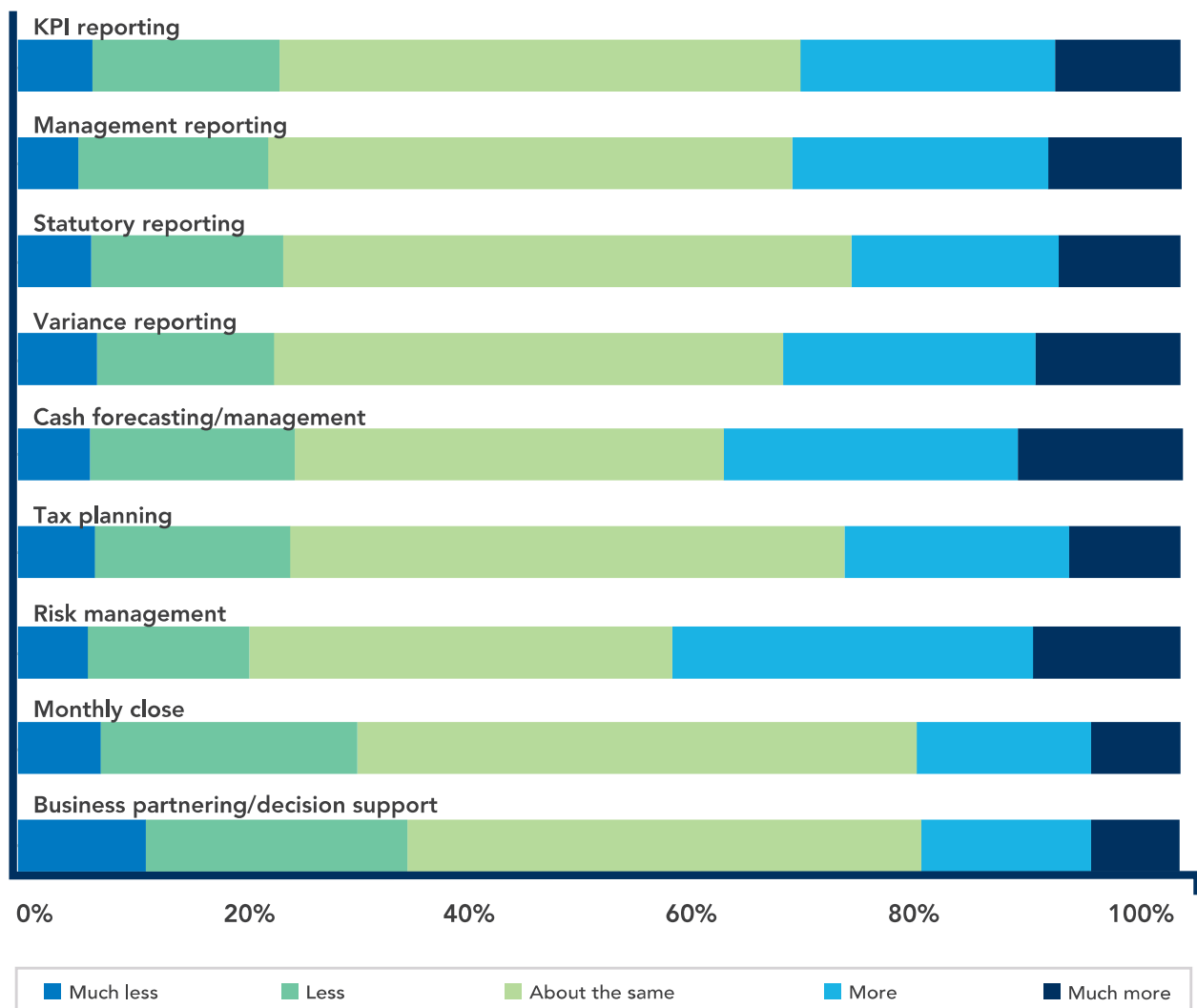
FIGURE 11: COMPENSATION AND EMPLOYMENT CHANGES



Finance Function Priorities

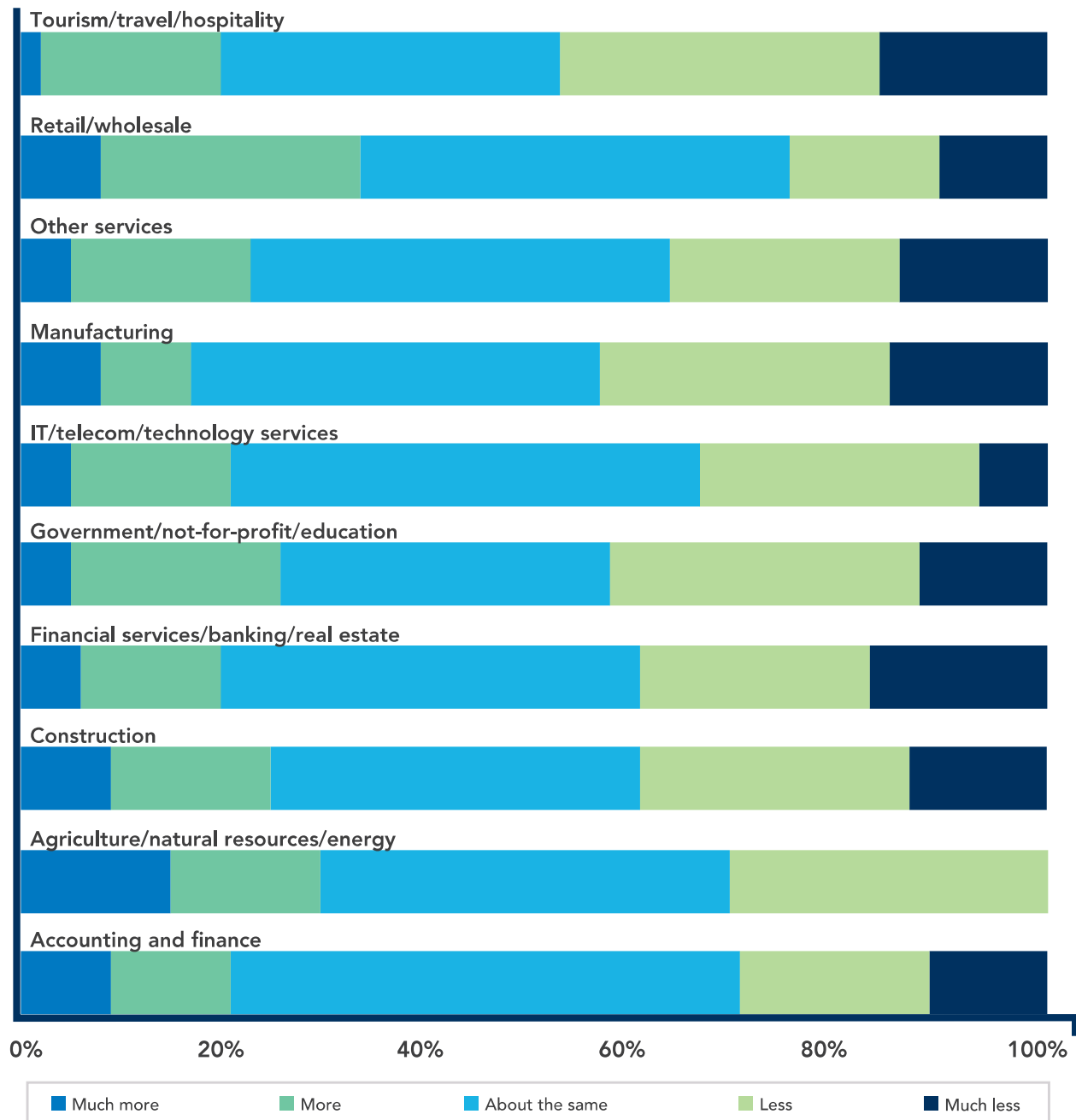
The COVID-19 pandemic has presented business with unprecedented challenges and has posed new demands on the finance function. Where is finance focusing now? Figure 12 shows the change in time spent on various finance-related areas. As might be expected, the largest increase in emphasis is seen in risk management, with nearly half (44%) of companies spending more (or much more) time in this area. This is followed by cash forecasting/management. On the other hand, less time is being spent on business partnering and decision support, with 34% of companies spending less time in this area (as opposed to 22% spending more time). While this latter responsibility of finance is important, the reduced time spent on business partnering is understandable given the reduction in staffing at many companies and the need to devote more time to cash management and risk management while continuing mandatory functions such as statutory reporting.

FIGURE 12: CHANGE IN TIME SPENT SINCE COVID-19



While there was a great deal of consistency across industries regarding the changing priorities of the finance function, several outliers stand out (see Figure 13). One of these is the tourism, travel, and hospitality industry, where nearly half of the respondents indicate their finance function is spending less time on business partnering and decision support. This reflects how hard this industry has been hit by the pandemic, with companies reducing staff to stay in business, and their need to focus on business essentials. •

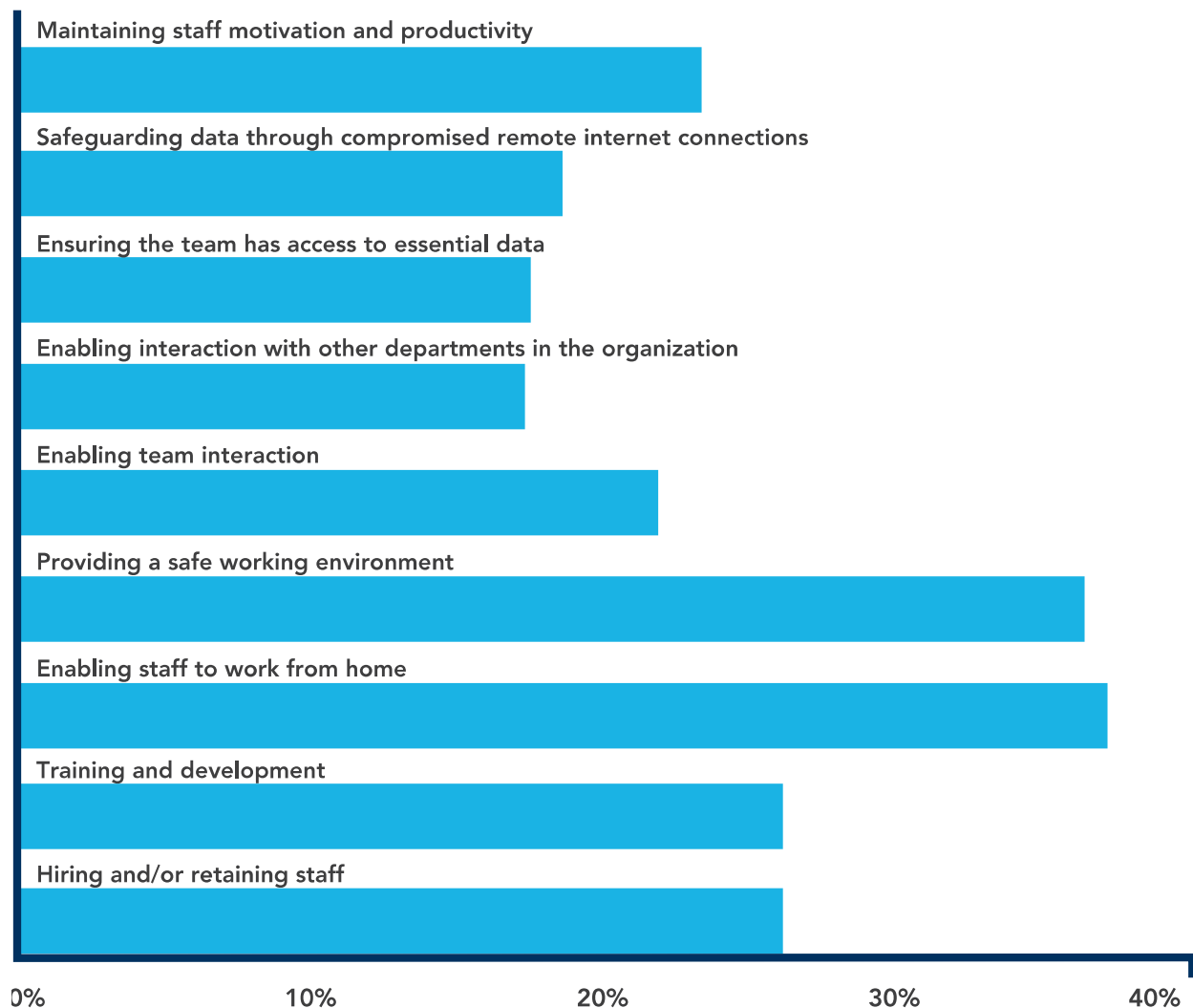
FIGURE 13: TIME SPENT BY FINANCE ON BUSINESS PARTNERING BY INDUSTRY



Personnel Challenges for Finance

COVID-19 is extremely contagious, and taking precautions to reduce its spread, such as social distancing, is critical. Many organizations, often due to legal requirements, are facing the challenge of employees working from home. In this regard, the pandemic has brought new personnel challenges to the forefront for finance. As Figure 14 illustrates, key among these are enabling staff to work from home (38% of respondents) and providing a safe environment (37% of respondents) for those who need to come to the workplace. Related to the first challenge is the need to train staff on the tools that enable them to work from home (26% of respondents).

FIGURE 14: FINANCE'S BIGGEST PEOPLE-RELATED CHALLENGES



Impact on Skills Needs in Finance

It doesn't take a pandemic to interest finance professionals in upskilling: 78% of respondents were already interested in upskilling or reskilling prior to the pandemic, with the highest percentages in Saudi Arabia (89%) and China (88%) and the lowest in the U.S. (58%). (See Figure 15.)

There is significant concern among survey respondents as to whether their current professional skills will still be relevant in the post-COVID-19 era—12% believe their skills will not be relevant, and another 10% are unsure. Again, results varied by country, with respondents in the U.S. most confident in the post-pandemic relevance of their skills (see Figure 16). Those in India were the least confident, with only 69% believing their skills would be relevant, 15% believing they would not be, and 16% unsure.

Younger respondents were more likely to believe their skills would not be relevant post-pandemic compared to older respondents (see Figure 17). In contrast to the other age groups, and a bit surprisingly, all the respondents older than 60 believed their skills would remain relevant. This could

FIGURE 15: PRE-COVID-19 INTEREST IN UPSKILLING/RESKILLING

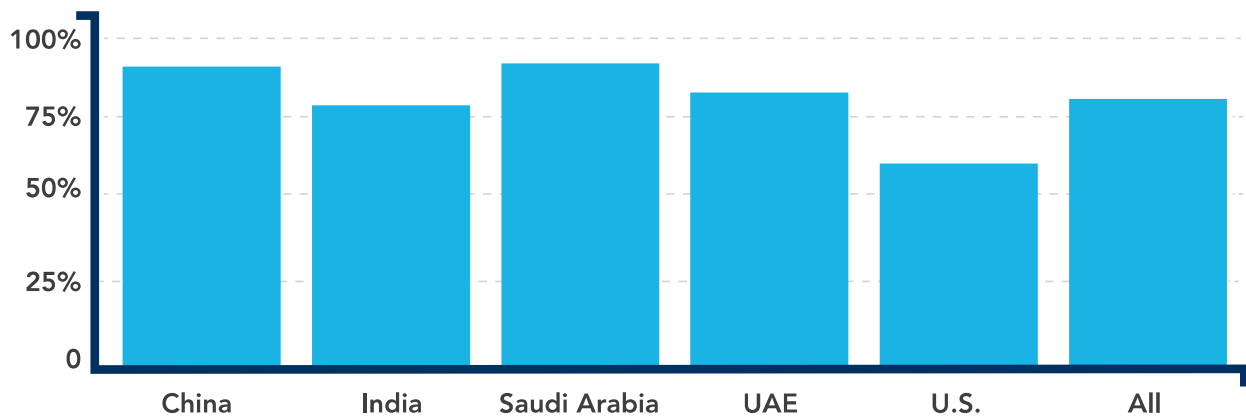
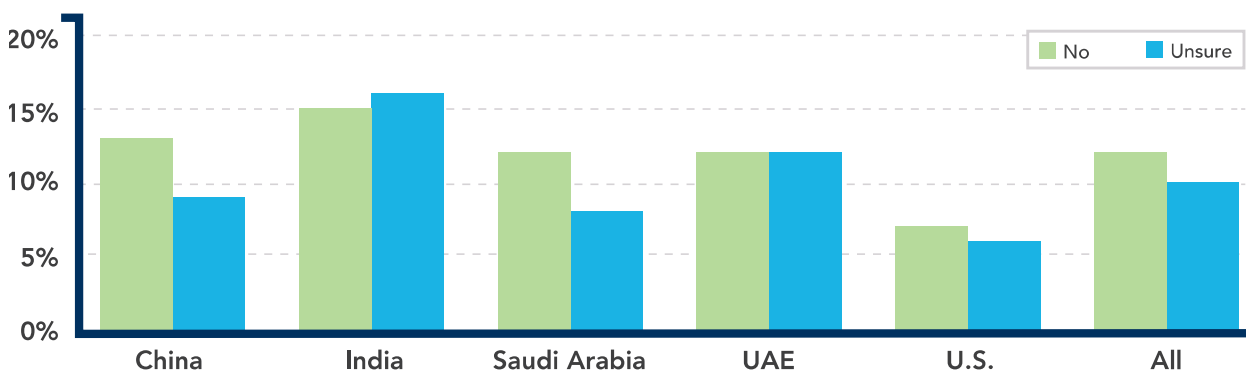


FIGURE 16: BELIEF THAT SKILLS WILL BE RELEVANT POST-COVID-19



reflect the more senior positions of the people in this group, where “soft” skills become increasingly important and “hard” skills less so.

Respondents at smaller companies (fewer than 100 employees) were also more concerned about their skills than those working for larger organizations (see Figure 18). This may reflect the fewer resources available to employees at these smaller companies to develop and maintain their skills.

The current high levels of unemployment globally have caused finance professionals to be more interested in gaining new skills. As Figure 19 shows, 68% of the respondents indicated they were more interested in upskilling because of the pandemic. This percentage was greatest in China and lowest in the U.S. This increased interest in upskilling extends throughout finance organizations, from entry-level to top-level management and all levels in between.

FIGURE 17: BELIEF THAT SKILLS WILL BE RELEVANT POST-COVID-19 BY AGE GROUP

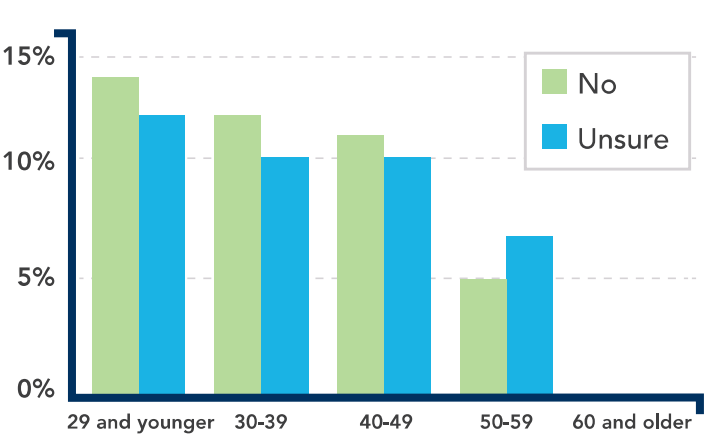


FIGURE 18: IMPACT OF COMPANY SIZE ON SKILL RELEVANCE

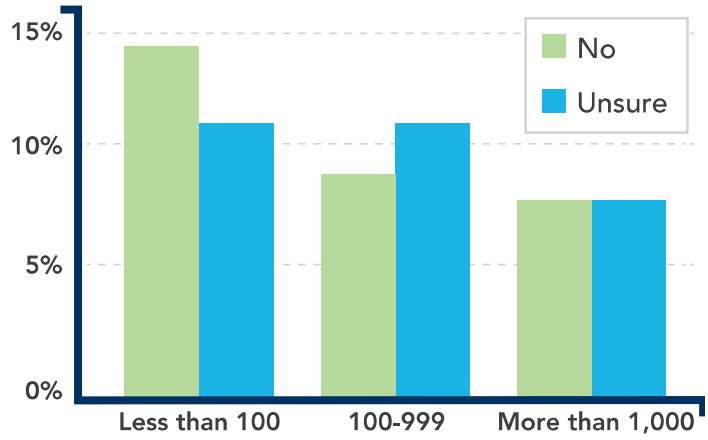
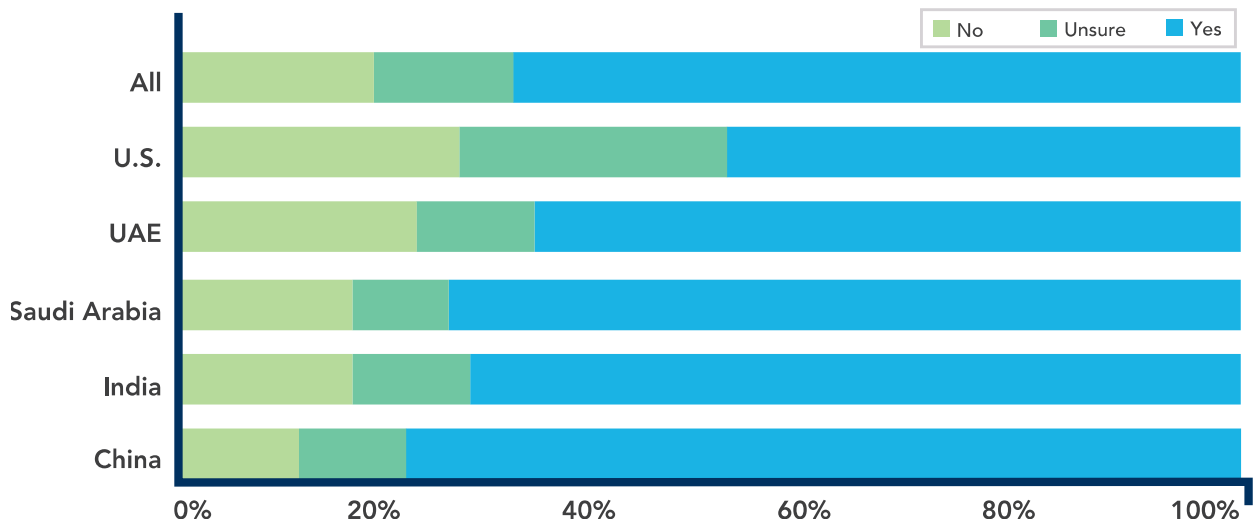


FIGURE 19: HAS THE PANDEMIC INCREASED YOUR INTEREST IN UPSKILLING?



This interest in upskilling was not merely aspirational: 75% of survey respondents are working on improving their job skills during the current pandemic. While the majority of respondents in every country in this study are improving their skills, the percentage is greatest in China and India and lowest in the U.S. (see Figure 20).

There is a belief across all the regions that upskilling can help career advancement (see Figure 21). This was also true across all levels of management in the finance function.

This belief is also widely held among most age groups, only declining for those in their 60s and older (see Figure 22). It reaches its peak with those ages 30 to 39, perhaps because many of them have been out of school for some time and are at a stage in their career where they're looking for career advancement and are thus feeling the need to refresh their skills.

FIGURE 20: IMPROVING JOB SKILLS DURING THE PANDEMIC BY COUNTRY

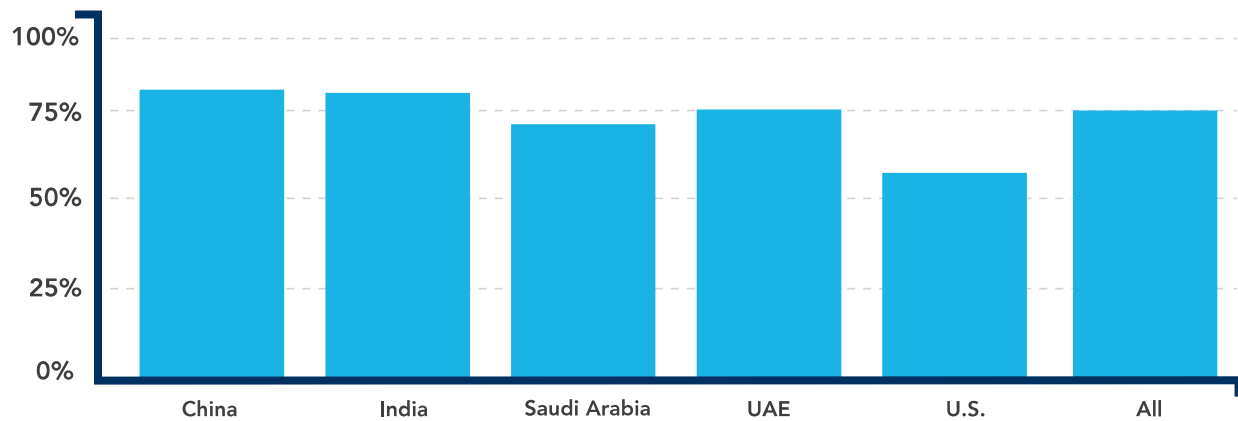
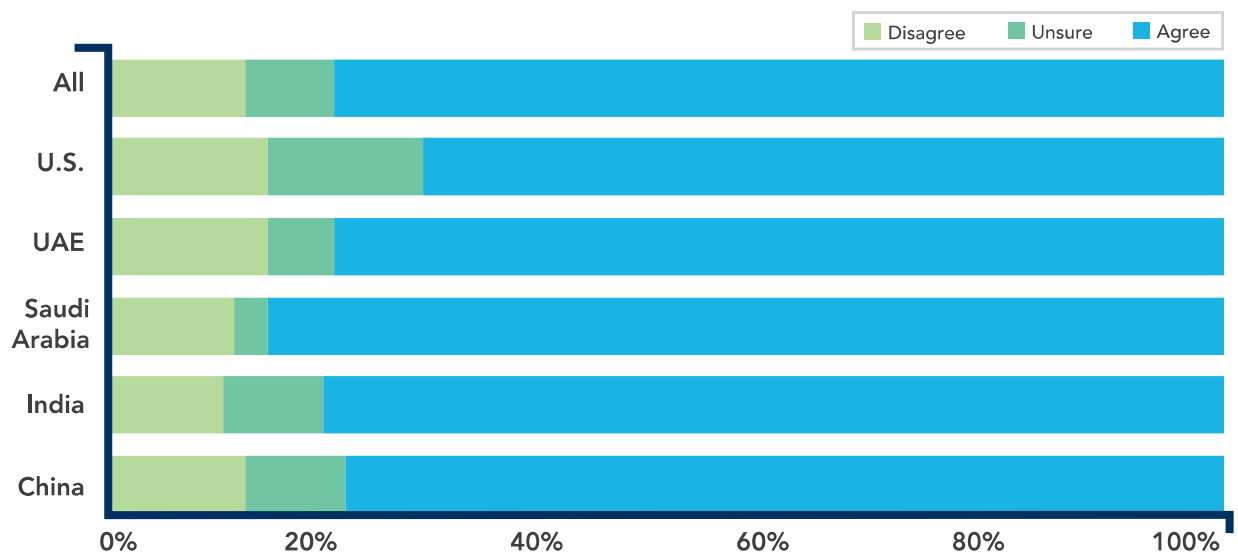


FIGURE 21: BELIEF THAT UPSKILLING POSITIVELY IMPACTS CAREER PROGRESSION



There was also a high degree of agreement with this belief across gender, although women (82%) were slightly more likely than men (78%) to see upskilling as helping to advance their careers (see Figure 23). An exception was in Saudi Arabia where, perhaps due to prevalent gender roles, men were slightly more likely to agree than women.

It has been widely reported by IMA and by others that the digital transformation of the finance function will change the role played by finance, the jobs in the finance function, and the skills needed by those in the finance function. How does the perceived impact of COVID-19 compare to the impact of digital transformation? Fifty-eight percent of respondents believe the pandemic will be as disruptive when it comes to job skills. The level of agreement was greatest in India where fully 70% agree (see Figure 24). This may be surprising given the large IT infrastructure within the country but may reflect the extent of the pandemic there. The lowest level of agreement (and highest level of disagreement) was in the U.S., which may reflect the politicization of the response to the pandemic there. •

FIGURE 22: DOES UPSKILLING/RESKILLING POSITIVELY IMPACT CAREER PROGRESSION?

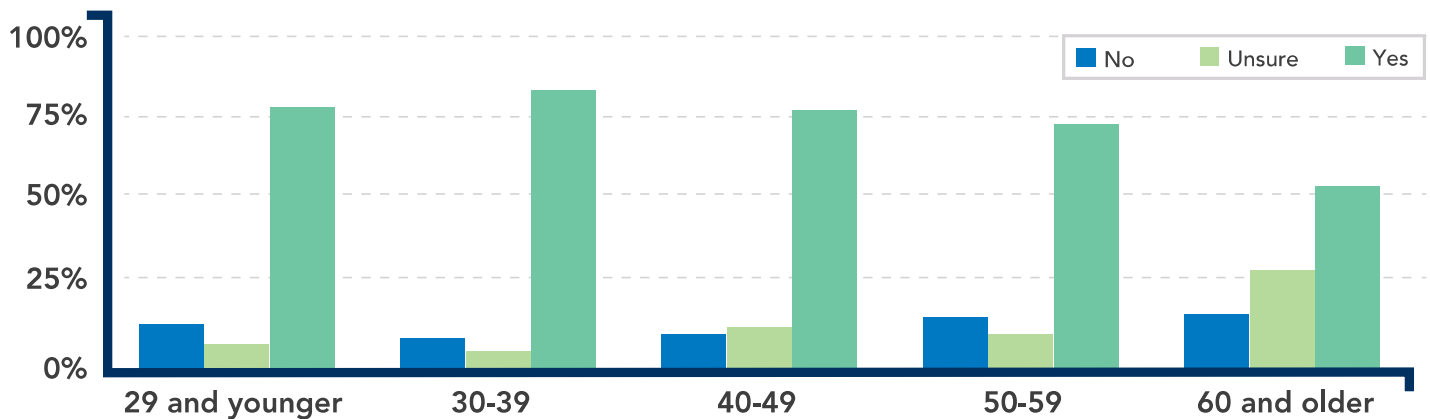


FIGURE 23: AGREEMENT THAT UPSKILLING HELPS CAREER ADVANCEMENT BY GENDER AND COUNTRY

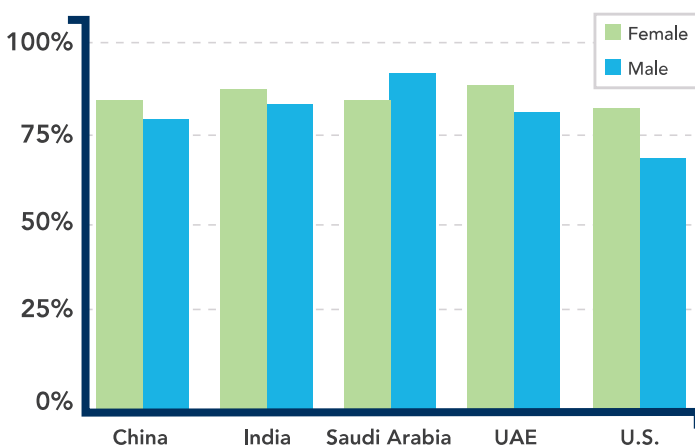
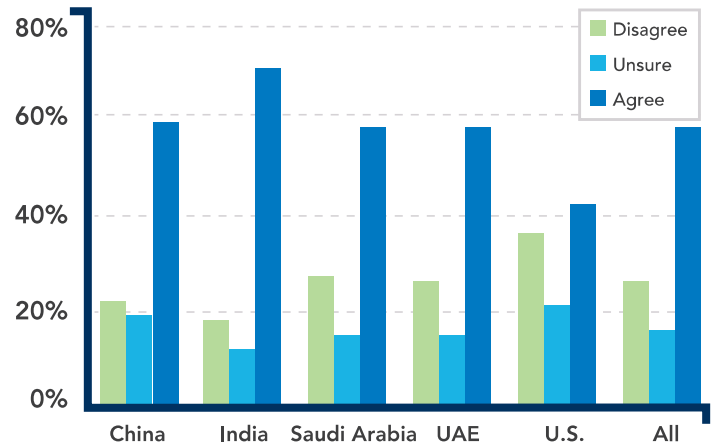


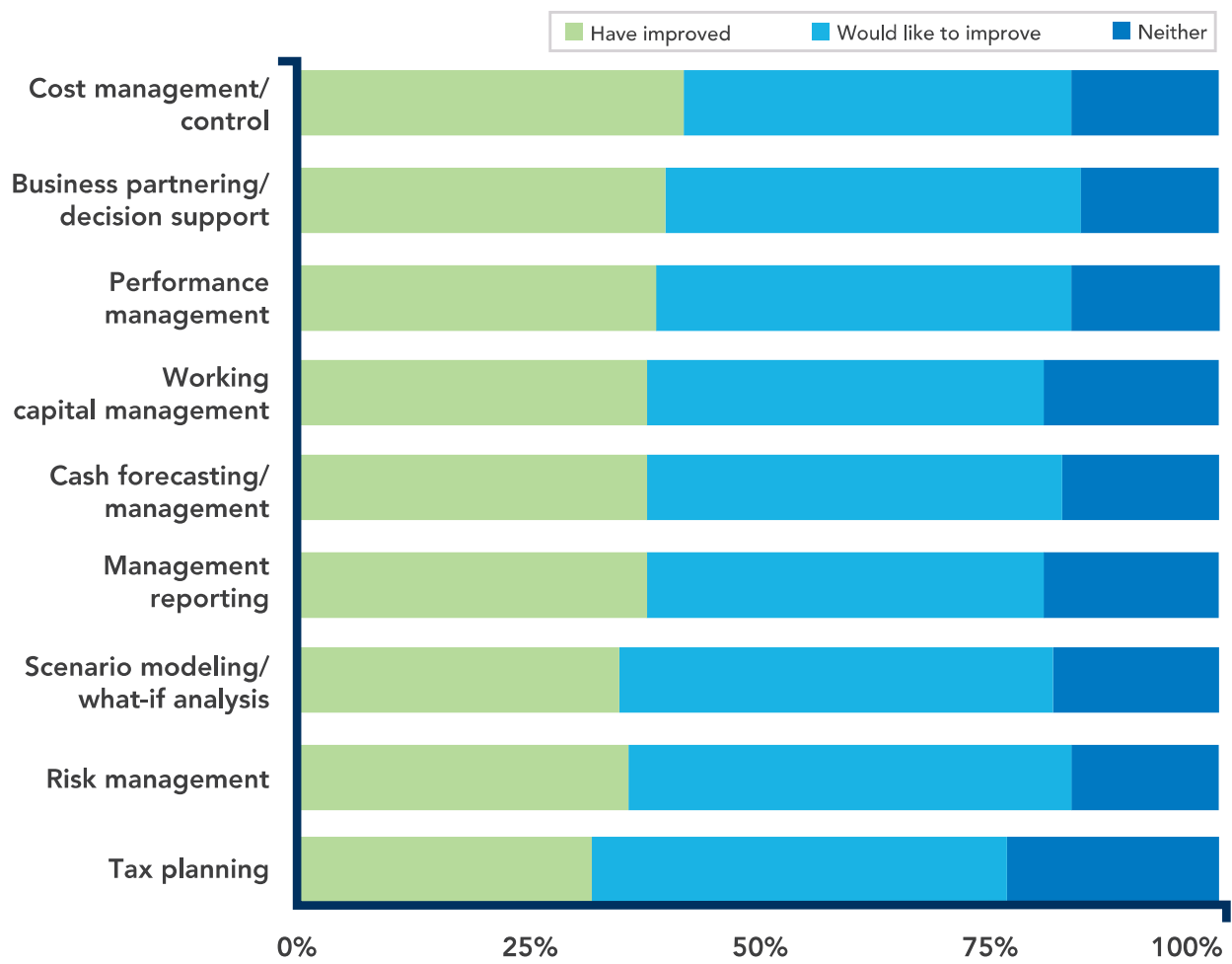
FIGURE 24: PANDEMIC DISRUPTS JOB SKILLS AS MUCH AS DIGITAL TRANSFORMATION



Skills Needed Post-COVID-19

A good number of professionals in finance are concerned about maintaining or enhancing their skills in this challenging business environment. So what skills have they been working on, perhaps during their stay-at-home period? As shown in Figure 25, leading the list is cost management/control.

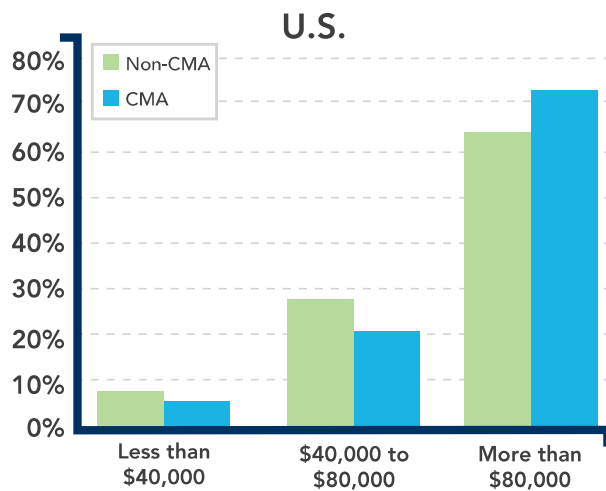
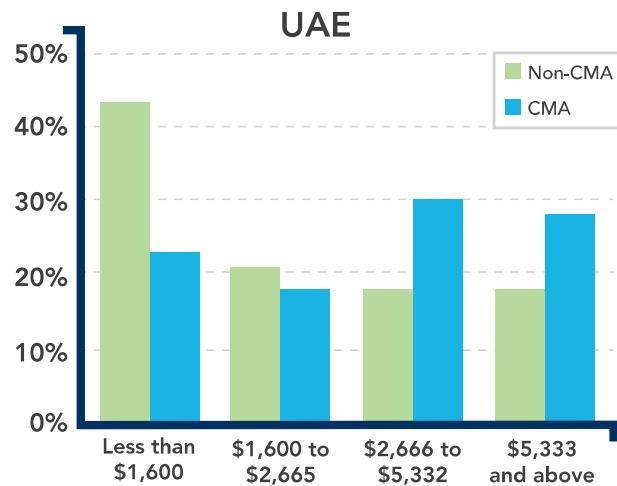
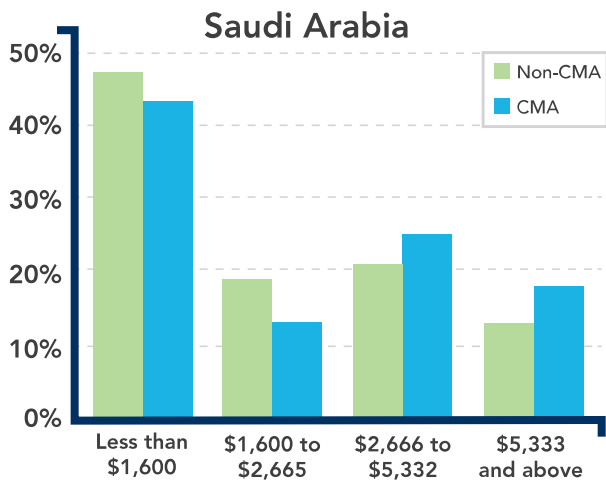
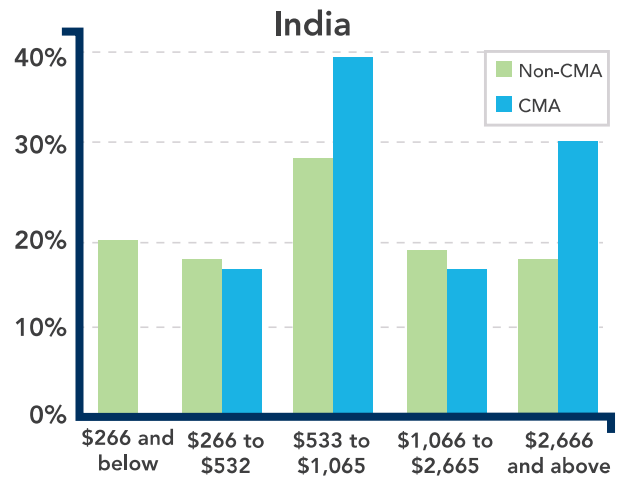
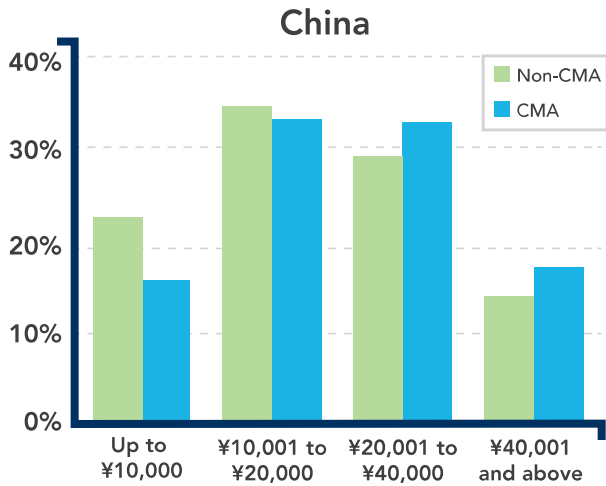
FIGURE 25: SKILLS ENHANCED DURING THE PANDEMIC



Yet perhaps more interesting is the wide range of knowledge domains in which respondents have improved—and plan to improve—their skills. More than 80% of respondents have improved, or plan to improve, in each of the skills listed, with the only exception being tax planning. These various skills are all part of the CMA® (Certified Management Accountant) program, which comprehensively covers the skills needed by management accountants today.

The benefit of professional certification was seen in a comparison of salaries earned by those possessing CMA certification with those who do not (see Figure 26). In each of the five countries, CMAs earned more than non-CMAs. Clearly, investing in advancing one’s professional skills pays off. •

FIGURE 26: INCOME OF RESPONDENTS—CMA VS. NON-CMA



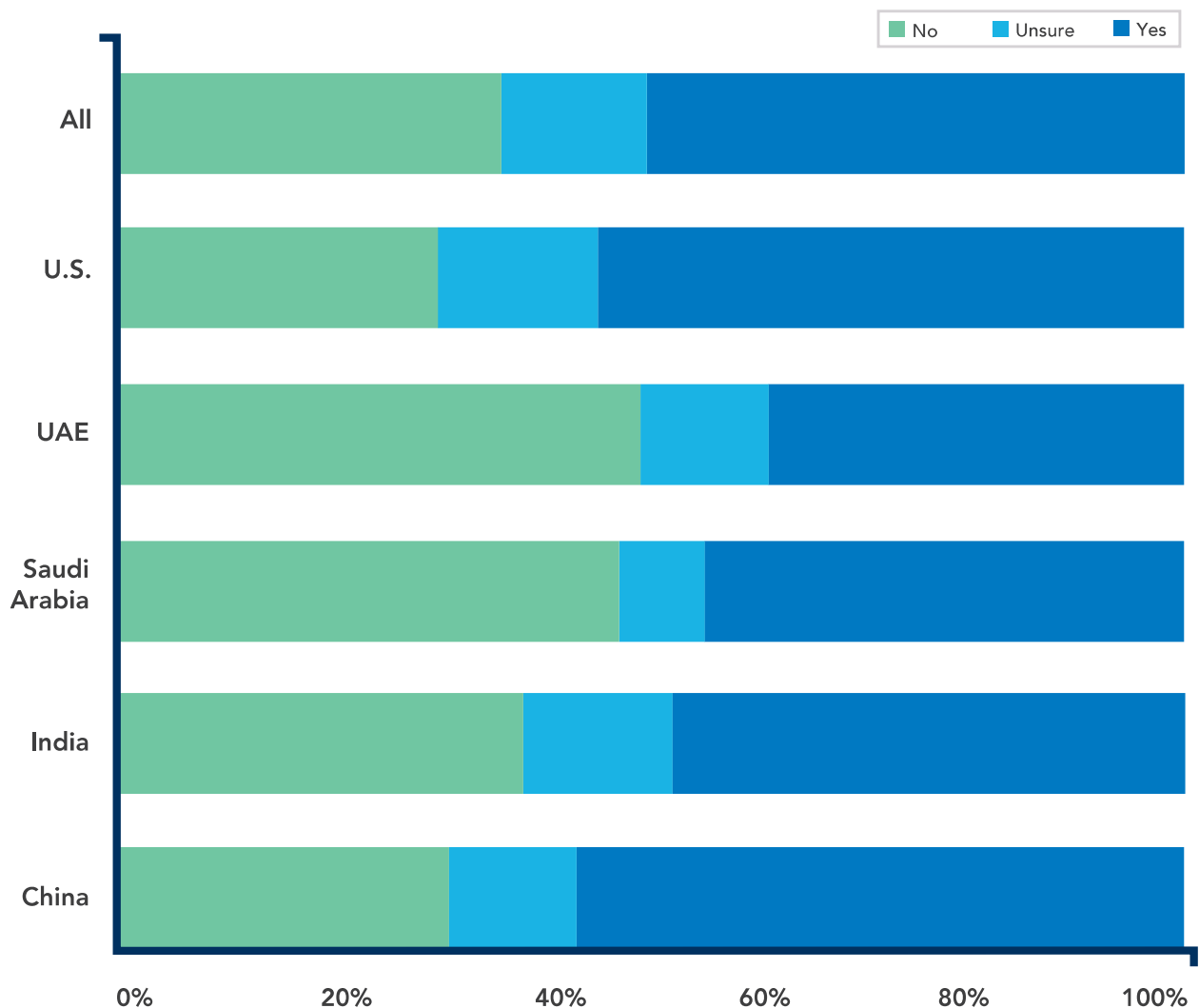
In each of the five countries, CMAs earned more than non-CMAs.

Employer Support for Upskilling/Reskilling

Employees may want to upskill, but it is not enough in these challenging times. They also need the financial resources required to do so. Fully 72% of respondents believed companies should financially support upskilling of their employees. This was consistent across all the countries in this study.

What did vary was the actual support of upskilling efforts (see Figure 27). Overall, 49% of employers supported upskilling/reskilling of employees. This varied from highs of 57% in China and 55% in the U.S. to lows of 39% in the UAE and 45% in Saudi Arabia. •

FIGURE 27: DOES YOUR EMPLOYER BUDGET FOR UPSKILLING?



CONCLUSION

The COVID-19 pandemic is presenting business with a challenge not seen in recent times. The impact has been global, affecting every country and organizations of all sizes. Many finance functions have reduced the size of their staff or reduced staff compensation.

The current economic environment is presenting challenges to finance functions on several levels. It is necessitating a shift in priorities, with increased emphasis on risk management and cash forecasting and management. It is also requiring great attention to enabling staff to work from home and eventually return to the office safely. Yet with the recent development of vaccines, the business environment will soon change again, and companies need to consider how they will compete in the “new normal.” Finance must again focus on partnering with others in the organizations to develop and implement effective business models and strategies.

Many finance professionals have concerns about the evolving skill set needed in a post-pandemic world. Most are working to improve their skills in a wide range of topics. One thing is clear: The field of finance is changing faster than ever, and finance professionals must work to enhance their skills in order to maintain and advance their careers. •

